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Poverty Reduction Strategy Papers (PRSPs): Ideological Shift or Renewing Legitimacy? The Case of Bangladesh

by

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Abstract

The World Bank and IMF introduced the Poverty Reduction Strategy Papers (PRSPs) in 1999. They portrayed the PRSPs as a major shift in their outlook and strategy of fighting poverty. This was also claimed to be the end of the Washington Consensus, the underlying ideological framework of structural adjustments. I argue that the PRSPs have been introduced because of the legitimacy crisis that the two organizations suffered due to the implementation of the adjustment programs. I see the PRSP initiative as an image make over bid. The Washington Consensus continues to dominate the agenda albeit in a revised manner. The difference with the PRSPs initiative is that it evokes civil society to build consensus around the policy. I use critical policy analysis as my method. This thesis involves a case study on the Bangladesh PRSP along with an analysis of the policies written by the Bank and IMF.

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Chapter One

Introduction

> "We do not want to second guess the Fund. We prefer to pre-empt them by giving them what they want before they start lecturing us about this and that. By doing so, we send a clear message that we know what we are doing – i.e. we believe in structural adjustment" (Cheru, 2001).

The World Bank (hereafter the Bank or WB) and the International Monetary Fund[i] (hereafter the Fund or IMF) initiated the Poverty Reduction Strategy (PRS) in 1999, supposedly to "make aid more effective in reducing poverty". At present Poverty Reduction Strategy Papers (PRSPs) are on the agenda of 70 low-income and Highly Indebted Poor Countries[ii] (HIPC) across the world (Klugman, 2002: 2). Since then poverty has been the central, if not the sole preoccupation of the Bank (Noel, 2006: 313). The PRSPs are portrayed by the Bank as a major shift in its outlook and strategy of fighting poverty, especially in the context of scathing criticism from across "civil societies" and NGOs all over the world for the alleged disastrous consequences of structural adjustment programs (SAPs)[iii] in the developing countries. The Bank and the Fund were enthusiastic about the PRSPs initiative, portraying it as a sign of abandonment of their erstwhile practice of writing policies for the developing countries, and accepting the importance of letting the countries decide their own fate (Fraser, 2005: 317).

The Bank and the Fund were also accused of imposing 'one-size fits-all' policies irrespective of the situations prevailing in the developing countries. This often triggered popular demonstrations leading to social and political instability in some of the countries. The situation worsened in the 1990s when people from Singapore to Washington took to the streets questioning the wisdom, ability and intention of the Bank-Fund duo in prescribing policy guidelines for the developing countries.

Despite widespread allegations from different quarters, the Bank never admitted that structural adjustment programs had disastrous impacts on the developing countries. It however agreed to a joint-exercise with SAPRIN, a global coalition of civil societies, to find out the impacts of SAPs. In a document titled *Adjustment from Within: Lessons from the Structural Adjustment Participatory Review Initiative*, the Bank conceded "the past decade has seen a major shift in thinking about how to implement economic reform programs in a wide range of countries. The issue is 'ownership' – how to make sure that *governments* and *civil society groups* in the countries themselves *buy into* the reforms and develop a *broad consensus* [emphasis added] on the actions that must be taken" (World Bank, 2001: 4). The PRSPs arguably reflect this very realization of the Bretton Woods Institutions[iv], which are targeted to build consensus around the policy through participation of "civil societies" and NGOs.

When Bangladesh published its first Interim Poverty Reduction Strategy Paper (I-PRSP) in 2003 and a full-fledged PRSP in 2005, I was surprised to see that the macro-economic contents of the Bangladesh PRSPs were little different than the policies implemented under SAPs. The policy matrix outlined in the Bangladesh PRSP is rooted in the dogma of supply-side economics. In his opening address at the "Scaling Up Poverty Reduction" Conference in Shanghai in May 25, 2004, the then President of the World Bank, James D. Wolfensohn confidently declared the death of the Washington Consensus[v]. Wolfensohn claimed that it had been replaced by all sorts of other consensuses. I was intrigued why the World Bank turned its back on the Washington Consensus, while simultaneously refusing to openly recognize the devastating impacts of SAPs.

The Bangladesh example raised the question in my mind that if the macro-economic fundamentals between SAPs and the PRSPs remain the same, what has changed? Contrary to the World Bank's portrayal of the PRSPs as participatory and nationally owned, civil society members in Bangladesh expressed their dissatisfaction over the limited scope for participation in the formulation process of the document. They are unwilling to consider the Bangladesh PRSP a document truly owned by the people. This made me interested in investigating whether the Bangladesh case is an exception on its own. The issue therefore for me was to know the historical context in which the idea of the PRSPs emerged, and what purpose does this initiative serve for the World Bank and the IMF.

Thesis Statement and Theoretical Framework:

The Structural Adjustment Participatory Review Initiative (SAPRI) report, initially a joint exercise by the World Bank and civil society organizations to review the impacts of SAPs, specifically attributed the economic crisis and poverty in the surveyed countries to structural adjustments. The Bank, in an about-face, published a parallel report diplomatically refusing the allegation. It rather questioned the methodological limitation in linking a structural adjustment program with poverty reduction of a country (World Bank, 2001). It would therefore be foolish to believe that the introduction of the PRSPs represents an honest realization on the part of the World Bank of its past misdeeds, and an attempt in the direction of redemption.

The World Bank however had learned a crucial lesson through the SAPRI exercise that the legitimacy of any policy depends on consensus and participation (spontaneous or coerced). The Bank states, '[f]rom the World Bank's perspective, the lessons drawn from SAPRI confirm that groups in civil society can make an important contribution to reform by acting as catalysts to spark a dialogue between governments and their citizens' (ibid). The Bank correctly realized, as Craig and Porter pointed out, that if excluded civil society could become a "primary agent of dissent" (2003: 58).

The relations between civil society and the Bank or in a broader sense the capitalist institutions have a long history of struggle as well as cooperation. Goonewardena and Rankin (2004) correctly pointed out that the resurgence of civil society, or in their words the 'second coming' of civil society, is interrelated with the process of globalization. The authors argued that civil society that once played a crucial role in the gradual transformation of feudalism into capitalism is now once again being used by the bourgeoisie, but this time for the territorial expansion and socio-cultural intensification of the system. Since civil society always served the capitalist agenda, the authors commented that the recent association between the bourgeois institution i.e. civil society, and capitalist institutions like the Bretton Woods Institutions and the US Treasury Department should be seen as historically determined.

Therefore, the concern for the Bank was not whether or not to go for cooperation with civil society. The problem was to hammer out a concrete strategy to engage civil society in such a manner that they themselves start speaking the Bank's language, and refrain from making abrasive comments. The issue therefore is successful co-optation of civil society with the very process of policy formulation as well as ensuring post-policy endorsement.

The notion of 'participation' and 'ownership' exactly serves this purpose through which civil societies obtain the feeling and satisfaction of remaining at the driver's seat while simultaneously knowingly or unknowingly serving the interests of the Bank. Through participation the Bretton Woods establishment sincerely hopes that civil societies would "learn" lessons from the Bank that it would not otherwise learn. As pointed out in the *Participation Sourcebook* published by the World Bank that participation opens the gates for social learning whereby actors from "a local system learn the value and rationale of new social behaviors specified by an *expert* [emphasis added]" (1996: 4).

Moreover, participation of civil society also helps to conceal the fact that the PRSPs have to be approved by the World Bank and the IMF Board of Directors as well as consistent with the principal policies outlined by the World Bank irrespective of the decisions elicited at the national level (Weber, 2006: 192). Various studies showed that participatory process reconfigures power and value systems, making it more of an exclusionary process than one that is inclusionary and bottom-up (Mosse, 1994; Cooke & Kothari, 2001). Kapoor (2005) noted that, on the one hand, participatory process appears to be benevolent, while on the other hand it professes neutrality in order to "empower the Other" (p. 1206). He argued that it does a wonderful job of keeping national civil society in check while advancing neo-liberalism by co-opting the Third World states and NGOs into the fold of structural adjustment program (p. 1214).

Andrea Cornwall & Karen Brock (2005) demystified how the politics of 'participation' and 'empowerment' purposefully conveys a misconceived feeling of difference from the existing way of doing business. In their own words, the Bank, "harnessed in the service of 'poverty reduction' and decorated with the clamors of 'civil society' and the 'voices of the poor', they speak of an agenda for transformation that combines no-nonsense pragmatism with almost unimpeachable moral authority" (2005: 1043). The authors continued that the use of these words by the dominant international organizations carries a message of considerable shift in approach. In addition, the use of these words also provides the much-sought-after legitimacy and justification of their interventions in the policymaking arena of the developing countries.

The authors pointed out that the idea of the PRSPs, which originated in the supranational level, and later projected towards the existing national policy processes had a third level of transformation: decentralized government, service delivery oriented civil society organizations, common citizens, and to a marginal extent the poor people. Quoting R. Eyben (2004) they argued that the nature of ownership created through the PRSPs is initially confined among a group of people who are already engrained within dominant policy discourse, who are incapable of imagining any other alternative model. Referring to Whitehead (2003), the authors added that the notion of country ownership does not mean participation of democratically elected actors; and the poverty analysis does not involve highlighting the structural causes or international/national unequal distribution of resources, income, human capital and power.

What is a PRSP?

Before reviewing the literature on the transition from SAPs to the PRSPs I think it would be useful to provide some background on the PRSPs, their intentionality and characteristics. The PRSPs are designed to be the "national roadmap" for poverty reduction formulated through a so-called 'participatory process' involving "civil society", NGOs, development partners, and 'poor people' themselves. An Interim-PRSP is required until a country formulates a full-fledged PRSP[vi].

The core principles of the PRSPs are stated as (Klugman, 2002: 3):

⇒ country-driven involving "broad-based participation" by "civil society" and the private sector ;

⇒ "results-oriented" focusing on outcomes that would "benefit the poor";

⇒ "comprehensive" in recognizing the multidimensional nature of poverty;

⇒ "partnership-oriented" involving coordinated participation of development partners (bilateral, multi lateral and non-governmental);

⇒ based on a "long-term" perspective for "poverty reduction".

The key features of the PRSPs initiative are derived from the Comprehensive Development Framework, which is championed by James Wolfensohn as the beginning of a "new approach" towards development. The PRSPs are said to "constitute a mechanism to link the use of debt relief under the Enhanced Heavily Indebted Poor Country Initiative[vii] to public actions to reduce poverty, and provide a framework for all World Bank and IMF concessional assistance" (ibid: 2). All the Heavily Indebted Poor Countries and those under the Enhanced Structural and Adjustment Facility[viii] are required to produce a PRSP. These countries must have a PRSP before they can seek new program support from the IMF or the Bank. The Bank and the Fund boards must approve a country's PRSP based on the report of Joint Staff Assessment[ix] done by the Bretton Woods staff before a lending program is agreed upon with a borrowing country. The developing countries are responsible for writing their own PRSPs, and for commissioning and organizing technical and donor input into it.

The World Bank and the IMF have defined some priority areas for public action to be addressed in a country's PRSP. These are (ibid: 4):

1. Macroeconomic and structural policies to support economic growth
2. Improvements in governance, including public sector financial management
3. Appropriate sectoral policies and programs
4. Realistic costing and appropriate levels of funding for the major programs.

These priority areas are seen as important for boosting economic growth. Noel (2006) correctly pointed out that this is exactly why poverty became the focus of recent policy discourse because it is closely tied to the neo-liberal agenda of stronger economic growth and selective social and development policies (p. 318). The PRSPs are expected to outline detailed policies about how a country plans to pursue these priority areas. The Joint Staff Assessment scrutinizes the PRSPs to ensure that these priority areas have been properly integrated into the policy document. Any deviation from this would result in the rejection of a PRSP even if it was prepared through a proper participatory process eliciting national wisdom.

Literature Review:

The literature on the emergence of the PRS initiative offers divergent explanations ranging from personal charisma of James Wolfensohn to shifting ideology among mainstream thinkers about the effectiveness of structural reforms programs.

Walden Bello and Shalmali Guttal (2005) in an article traced the changes in the Bank's approach to the appointment of James D Wolfensohn as the President of the Bank, and his individual charisma and public relations strategy. The argument these authors came up with is that James Wolfensohn assumed office at a critical juncture, when the Bank's credibility as policy adviser had hit rock bottom. Bello and Guttal argued that the Bank came under fire from civil society around the world for the adverse impacts of its structural adjustment programs along with land resettlement schemes and large dam projects in developing countries. Dismissing popular concepts like "poverty reduction" "participation" and "good governance" as mere catchwords from Wolfensohn's repertoire, the authors suggested that these concepts were purposefully employed by the President as part of his desperate public relations strategy to salvage the ailing image of the Bank. They argued that the much vaunted process of "constructive engagements" and "multi-stakeholder dialogues" were indeed deliberately used by Wolfensohn to manage civil society critics to bring them back under the umbrella of the Bank.

The authors argued that this public relations strategy was soon put to the test by the SAPRI initiative through openly challenging the incumbent President inviting him to engage in a joint exercise for digging out the impacts of structural adjustment to which Wolfensohn responded positively. The authors maintained that the withdrawal of the Bank from the SAPRI initiative and refusing to publish the findings jointly disregarding the initial agreement testifies that the President was never honest about the participatory process, and was merely trying to deflect the critics and rebuild the image of the Bank. Bello & Guttal concluded with a strong observation that the Bank never discarded the disgraced structural adjustment policies, which they argued remain to be the guiding principles of the PRSPs.

There is another group of scholars who are willing to attribute the transition to the PRSPs to a broader shift in the ideological framework of the Bretton Woods establishment. Joseph Stiglitz (1998), in his famous WIDER annual lecture, echoing Wolfensohn famously announced the death of the Washington Consensus that underpinned structural adjustment programs and courted the idea of a Post-Washington Consensus[x].

Paul Mosley (2001), continuing on the debate of the so-called ideological shift in the Bank's policy framework, concluded that the answer to this question is both "yes" and "no". Mosley argued that the Bank has not entirely moved beyond the kernel of the Washington Consensus, though he thought that the Bank had apparently backtracked from its earlier dogmatic stance. He considered the adoption of the concept of "security" (social safety net measures for the poor) in the recent Bank approach a move away from classical *laissez-faire* policy. Mosley attributed the cause of this departure partially to the loss of large share of the Bank's markets in the "high-income" and then in the "middle-income" countries, which resulted in the demise of the Bank's role in "infrastructural finance businesses". Consequently, the Bank had to shift its focus more on low-income countries in areas like social protection, knowledge creation where markets are virtually non-existent, added the author. Mosley concluded that since the macro-economic policies remain on the agenda of the Bank, the answer to whether the Bank has abandoned Washington Consensus is no; but yes in the sense that "it has been supplemented by elements going beyond even Stiglitz's 'Post-Washington Consensus'" (2001: 312).

Ann Pettifor (2002), the former Director of the *Jubilee 2000* network, partially agreed with the argument of Bello and Guttal that the emergence of the PRSPs was primarily the result of civil society movements in the 1990s. Unlike the previous authors Pettifor termed the PRSPs a major development in the relationships between the international financial institutions and the developing countries, however he lamented that the Fund was still preoccupied with growth-oriented model of development. Pettifor felt that the "emphasis within PRSPs on state policy, national leadership and accountability through participatory process offered a prospect for genuine change" (2002:15). He however acknowledged that the changing emphasis on national ownership has in a way put developing countries in a paradoxical situation where they are required to invent new policies while being paralyzed by the economic prescriptions of the past. Pettifor accused the Bank and the Fund for unleashing pressure on the national governments for speedy formulation and implementation of the PRSPs without any accompanying macro-economic support. Referring to a World Vision study undertaken by the Overseas Development Institute, Pettifor pointed out that the study revealed that the stakeholders often take PRSP exercise as a gateway to getting access to debt relief without any significant consequence and feeling of national ownership.

A review of the literature on the participatory processes in various countries indicated that the nature of the participation of various stakeholders in the formulation of the PRSPs was patchy and cursory. The literature on this suggested that in most cases governments involved civil society with the process because it is mandatory for the countries. I have briefly reviewed some of the literatures on the PRSP formulation processes and the extent to which civil society was invoked in various countries to get an insight into the Bangladesh PRSP formulation process. It also helps to examine whether the Bangladesh experience is a unique one or it follows the same trend as experienced elsewhere.

Nadia Molenaers and Robert Renard (2003) in an article investigated the PRSP process and the achievement Bolivia had had through the externally imposed participation at the macro level of policy making. The authors highlighted the role participation played in promoting ownership, accountability, and poverty reduction. After a detailed analysis of the political scenario of the country the authors suggested that increased volume of participation and a stronger civil society were least required for tackling poverty since Bolivia already possessed a vibrant civil society, and had extensive experience with participation. The authors observed that in Bolivia civil society participation failed to extend ownership of the policies to broader section of the population. In fact, the authors argued that the Bolivian government twisted the definition of civil society through identifying elected officials holding political offices at the local levels as members of civil society. Nevertheless, the authors noted that the Bank remained nonchalant about this anomaly, and asked the government to go ahead terming the participatory process satisfactory.

The authors argued that the reason for such a mockery could be that the government already knew that the civil society organizations would oppose the macro-economic policies articulated in the Bolivian PRSP document. This led the authors to rightly point out that the notion of ownership enshrined in the PRSP process advocated by the Bank is flawed since ownership means not only joint decision-making but joint agenda-setting as well. When the government holds a firm grip over the agenda of a meeting, the outcome of a dialogue would obviously be predictable, limited, and would fail to broaden participation and ownership, added the authors.

They also claimed that most of the vulnerable groups such as the urban and rural poor, the indigenous groups and women were absent from the PRSP consultation process. They duly raised the question that, in the absence of these groups, who was speaking on their behalf? Furthermore, through which mechanism were their views represented in the PRSP document? They pointed out that the Bank's listing of legitimate participants in the PRSP process does not differentiate between relevant and not-so-relevant stakeholders, which allows the governments to exploit the vagueness in their favor by inviting not-so-relevant groups for dialogues while still being able to fulfill the precondition of participation. The authors felt that this is too bland an approach that paves the way for co-optation and creation of a fundamentally differentiated "civil society" by the national governments defying the possibility of any meaningful participation.

In an analysis of the Tanzanian PRSP, Buncan Holtom (2007) explored the potential tensions between the stated objectives of the country's PRSP to promote new partnership and ownership with how these objectives were reconciled to become the centerpiece of the dialogue between the Tanzanian government and the Bretton Woods Institutions. In doing so, Holtom highlighted the role played by a group of Tanzanian economists in formulating the country's PRSP. Holtom argued that these economists were indoctrinated in neo-liberal paradigm when they left Tanzania in the 1960s and 70s for higher studies in the US. When these economists were called in by the Tanzanian government to help prepare the PRSP, they unsurprisingly prepared a policy document favorable to the interests of the donors' community, argued the author. Holtom therefore felt that the challenge for the Tanzanian PRSP was to broaden the partnership beyond this close-minded group of economists.

Holtom's analysis of the participatory process of the Tanzanian PRSP revealed that the civil society participation throughout the process was quite patchy. The author pointed out that, against the backdrop of dilly-dallying by the government, the Tanzanian civil society organized its own dialogue with the aim of enabling "grassroots" participation. The government remained suspicious of the legitimacy and accountability of some of these NGOs involved with the process. The government later decided to hold its own consultative process, thus embittering its relation with civil society. The Bank, anticipating a problem with enforcing "participation", stepped in to reengage both the parties.

Holtom added that the participatory process in Tanzania lacked a proper debate, and that the civil society's plea for decoupling the macro-economic conditionalities from debt relief in the PRSP process was overlooked by the government. This, Holtom argued, reflected the influence of pro-reform economists over the PRSP process. The macro-economic policies which were previously agreed upon between the Tanzanian government and the IMF and Bank under the Poverty Reduction Growth Facility and Programmatic Structural Adjustment Credit respectively remained intact and non-negotiable in the PRSP document. Referring to the discovery of some NGO members, Holtom claimed that the government and the Bretton Woods Institutions went so far as to resort to deception and concealment of facts to keep the politically sensitive conditionalities secret from the civil society. An observation by an anonymous member of a local NGO quoted by Holtom sums up the feeling about the Tanzanian PRSP among the members of civil society who reportedly said "World Bank's only seeking legitimacy from civil society for the policies they are bringing to our country, which we rejected for years" (2007: 244).

Lindsay Whitfield (2005) recently examined the extent to which the PRSP approach changed the lending practices of the Bretton Woods Institutions in the context of Ghana's Poverty Reduction Strategy Paper. The author noted that the Parliament of Ghana was by-passed in the process of "policy dialogue" between the government and the donor agencies. The role of the Parliament was restricted to only approving the legal framework for policy reforms without being able to engage in the formulation of the policies.

The role played by the Ghanaian civil society organizations in the process of PRSP formulation was described by Whitfield as cursory. The author observed that the Task Force formed by the Ghanaian government to look into the formulation of the PRSP defined the entry points for civil society participation, which remained very limited. The Task Force organized seminars and workshops to facilitate participation, but the workshops, as observed by the author, were more passive and informative than they were discussion-oriented, where the Task Force members made one-way presentations and casually invited questions at the end.

Whitfield characterized the role played by the Ghanaian government and the donor agencies in the formulation of the country's PRSP as "government in the driver's seat but donors trying to steer the car" (2005: 652). The author noted that the donors did not need to directly influence the content of Ghana's PRSP since it was copied from another program called PRSC (Poverty Reduction Support Credit), which was formulated under the strict monitoring of the donor agencies. The author quoted one Task Force member attesting that the macro-economic section of the PRSP was copied from an IMF lending program, further underscoring the token nature of the consultations with local agents.

Whitfield concluded that there has been little change in the lending practices of the Bank. She commented that the Bank now prefers to sneak into the policy agenda through back door instead of presenting their reforms agenda upfront. The participatory process serves more as a mechanism to validate the decisions previously agreed upon between the Bank and the governments. Whitfield commented that the government-donor relations enshrined in the PRSPs do not fit "partnership" model, rather emerges from the competition for exerting influence based on power differentials.

There is however a group of academicians who see the PRSPs as a worthy exercise able to deliver on the promise of poverty reduction. Ruth Driscoll and Alison Evans (2005) in a paper saw the PRS initiative as an opportunity for the poor people to improve their fate. Unlike the other authors discussed above, they believed that the

PRSPs help strengthening the focus on poverty within governments, mobilize civil society on an "unprecedented scale", and promote harmonization among donors. They argued that the PRS approach is far more "comprehensive" and "multi-sectoral" than their predecessors. They also claimed that the PRS approach has brought the issue of aid delivery and donor behavior under scrutiny. They see the PRSPs as a sign of recognition by the international organizations of the fact that donor behavior and high transaction costs incurred on governments during development lending undermine national institutions. The authors however noted that though the PRSPs were successful in generating a feeling of national ownership, "sector-line ministries" and "sub-national" levels of governments were yet to be properly engaged with the process of ownership, which the authors cautioned might cause ruptures in poverty reduction efforts.

Research Questions:

The principal question that guides this research is whether the PRSPs represent a substantial ideological shift from the Washington Consensus policies or neo-liberalism on the part of the Bank or the IMF in prescribing policies for the developing countries. Joseph Stiglitz (1998) and James Wolfensohn authoritatively suggested that the era of the Washington Consensus is over and the Bretton Woods Institutions have moved beyond it. They even argued about the emergence of a Post-Washington Consensus. Though there is debate about what a Post-Washington Consensus would mean, I prefer not to dwell on this theoretical debate here. My aim is to know, on the basis of the PRSPs, that if we have supposedly moved beyond the Washington Consensus, what is the nature of this "new" consensus?

Paul Mosley (2001) argued that the issue of an ideological shift is an ambiguous one, which suggests that the "new" consensus does not indicate a radical break with the old consensus. If that is so, then my second question is what was the compelling need to publicize the emergence of this "new" consensus? As we continue to painfully experience the "macro-economic fundamentals" of the structural adjustment programs still dominating the PRSPs, I ask whether or not it merely represents an image makeover attempt by the Bank.

Methodology and Conceptual Framework

This research involves a critical analysis of the policies written by the Bank to guide the developing countries in preparing their PRSPs. The principal method of research was therefore critical policy analysis of the documents published by the Bank (and to some extent the IMF) that relates to poverty reduction, specifically the PRSPs. As we all know, policies do not originate in a void. With every policy there remains an underlying ideology, sometimes manifest or latent. One way to grasp the essence of this ideology is to read the actual policy documents to decipher the ideology intricately embedded in them. A critical policy analysis exactly serves this purpose by exposing the underlying ideologies and values of policy issues as well as their prescribed solutions, and the boundaries of the policy debate (Forester 1993, Fischer 1995). Critical analysis helps in demystifying the subtle interplay of politics often disguised through the use of "positive" "moral" and "promising" words. The advantage of critical policy analysis over traditional policy analysis as noted by Duncan & Reutter (2006) is that it sheds light on how the "interplay of the processes and contexts influence the definition of policy problems (content), agenda setting, and choice of policy instruments" (p. 244).

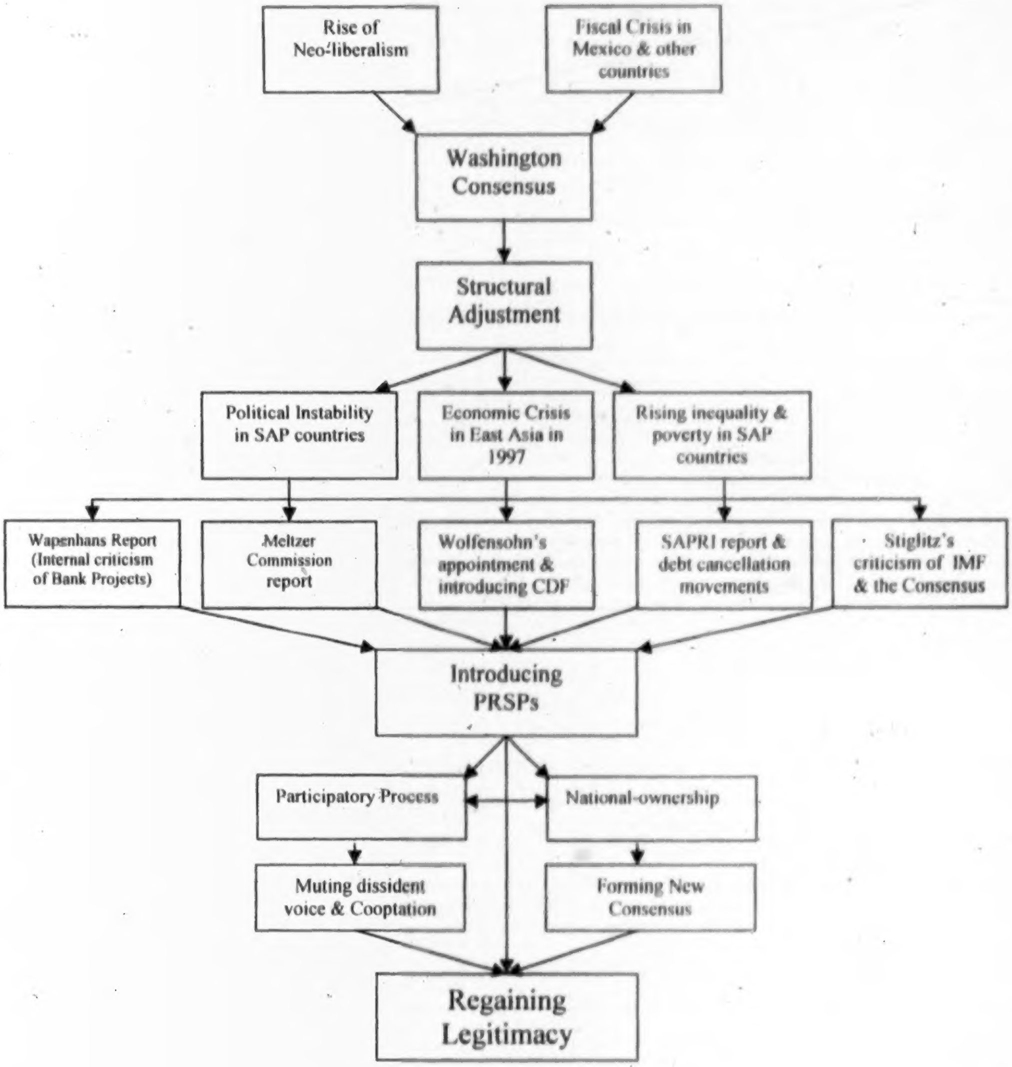
I studied the Bank documents that are directly related to the formulation of the PRSPs, and which influence the policy guidelines of the PRSPs. Various World Bank and IMF reports and press releases, the Meltzer Commission Report, the Wapenhans Report, writings of Joseph Stiglitz, the SAPRI report, as well as the document *Adjustment from Within: Lessons from the Structural Adjustment Participatory Review Initiative* that embodies the Bank's own assessment of the structural adjustment programs were reviewed in for this thesis in order to have a better knowledge about the policy frameworks of the PRSPs. I have mostly avoided documents published by the IMF keeping in mind the time-frame allowed for the MA thesis, since extensive analysis of the

IMF documents would require an equal amount of time and attention. However, where necessary I have looked into the IMF documents to help with my analysis.

Since the PRSPs are produced by approximately 70 countries, it was beyond the scope of this thesis to look into all the PRSPs hitherto been produced by the developing countries. Considering the scope of this MA thesis, I restricted my analysis to the PRSP produced by the government of Bangladesh. I gained first hand knowledge from the Bangladesh case study about how the supranational decision of introducing PRSPs was implemented at the national level through co-opting the influential "stakeholders" e.g. civil society, NGOs, and the bureaucrats. I reviewed the contents of the Bangladesh PRSP to see how the neo-liberal economic thinking fostered by the Bank dominated the national PRSP document. I also analyzed how the underlying economic principles of the Bangladesh PRSP resemble the policies of structural adjustment programs, and how the policies were justified through the manipulative use of "dialogue". I investigated the participatory process undertaken in the formulation of the PRSP to get an idea about the nature of the process: whether it was honestly designed to elicit the wisdom of the common people or was manipulated like the other countries discussed in the literature review section to impose the will of the Bretton Woods Institutions in the name of participation.

The Bangladesh case study also involved an analysis of the poverty scenario of Bangladesh. The pre- and post-PRSP poverty scenario was contrasted to see whether the introduction of the new policy regime had any positive tangible impact on the livelihood of the poor people. In addition, I collected secondary data on macro-economic indicators e.g. GDP growth, inequality, employment, inflation which are considered as important in determining the quality of a population. I presented pre- and post-PRSP data on these indicators to reveal how much of the promise of poverty reduction was achieved through the policies outlined in the Bangladesh PRSP. The importance of this section lies in the fact that if these indicators show that the PRSP policies made little impact on the poverty scenario of the country, then it allows me to extrapolate that there were some other motives concealed within the process, which is exactly what I hypothesized.

Figure 1.1: The conceptual framework of the study presented in a diagram:


Rise of Neo-liberalism
Fiscal Crisis in Mexico & other countries
Washington Consensus
Structural Adjustment
Political Instability in SAP countries
Economic Crisis in East Asia in 1997
Rising inequality & poverty in SAP countries
Wapenhans Report (Internal criticism of Bank Projects)
Meltzer Commission report
Wolfensohn's appointment & introducing CDF
SAPRI report & debt cancellation movements
Stiglitz's criticism of IMF & the Consensus
Introducing PRSPs
Participatory Process
National-ownership
Muting dissident voice & Cooptation
Forming New Consensus
Regaining Legitimacy

Organization of the Thesis:

Given below is a brief summary of the contents of each chapter:

Chapter One: The first chapter provides an overall discussion of the thesis statement, research questions, literature review, theoretical and conceptual framework of the argument, methodology of the study. The main purpose of this chapter is to briefly introduce the topic.

Chapter Two: The second chapter deals with the debate about the nature and core principles of the ideological force that drives the Bretton Woods Institutions or what Williamson (1993) termed the "Washington Consensus". In this chapter I also investigate whether there is any major or substantial departure from the dominant ideology of the Consensus, which could be seen as a sign of emergence of a radically new ideology. I analyze the nature of this supposedly "new" consensus, which is labeled as Post-Washington Consensus. My findings reveal that there was some sort of change in the way the Bank does business with the developing countries, and that these changes are reflected in the principles of the PRSPs, but that these changes can not be considered a broad ideological or paradigmatic shift.

Chapter Three: This chapter elaborates on the context in which the idea of the PRSP was born. This is fairly a descriptive chapter, which includes a discussion of the challenges that were thrown at the Bretton Woods Institutions from different quarters. The Wapenhans Report, the report of an internal committee led by Willi Wapenhans, highlighted the mismanagement of the Bank run projects. This report, along with the Meltzer Commission Report, undermines the credibility of the Bank from within the mainstream community. The rebellious acts of Joseph Stiglitz, the former Chief Economist of the Bank appointed by James Wolfensohn, aggravated the wound created by the East Asian economic crisis of 1997. This chapter also presents detailed accounts of civil society, NGOs and grassroots organizations' concerted campaign against the miseries of the structural adjustment programs across the globe.

Chapter Four: Chapter four contains the case study of the Bangladesh PRSP. In this chapter, I analyze the contents of the Bangladesh PRSP to find out if this policy deviates from the structural adjustment policies in any way. I scrutinize the Country Assistance Strategy for Bangladesh prepared by the Asian Development Bank to show that the macro-economic policies of the Bangladesh PRSP resembles with the donor prescription. This chapter also contains an analysis of the economic performance of the country during the pre- and post-PRSP regime. Data on various macro-economic indicators have been gathered revealing that the country made little progress in terms of alleviating the lives of the poor people.

Chapter Five: Chapter five presents a synthesis of the arguments I make in the first four chapters. I conclude that the PRSP initiative of the Bretton Woods Institutions does not represent a substantial shift from the disgraced policies of the Washington Consensus, which have remained as the guiding principles of the PRSPs. Definitely, there has been a change in the way the Bretton Woods Institutions do business with the developing countries but that did not necessarily translate in an ideological shift. This was rather a change of tactics aimed at appeasing the critics of the beleaguered Bank. The overarching objective of introducing PRSPs was to address these criticisms in a perfunctory manner that has a lot more to do with image makeover than improving the lives of billions of poor people.

Expected Contribution and Conclusion:

This study will try to shed light on how overarching ideological elements are implemented at the grassroots level. In order for an ideology to be hegemonic as articulated by Gramsci, consensus around the principles of the ideology among the participants is very important. No ideology can remain unchallenged for an indefinite period of time. There will be challenges but success to retain the hegemony depends on how the challenge is negotiated. Often it is necessary to repackage the entire ideology to generate a new consensus, whether at the macro or micro level. This study sheds an important light on the attempt by the Bank to revamp itself, to negotiate challenges to its development approach, and to build consensus at the grassroots level.

Chapter Two

The Context of Legitimacy Crisis of the World Bank & IMF

This chapter covers the internal factors as well as the external incidences that subsequently contributed to the loss of legitimacy of the Bank. The internal factors include the Willi Wapenhans Report which revealed that things were not going right with the Bank, and that the performance of the Bank was deteriorating; the Meltzer Commission Report, a mainstream attack undermining the credibility of the Bank as a development lender; the rebellion of Joseph Stiglitz, the former Vice President of the Bank, shattering the seemingly benevolent image of the Bank-Fund duo in relation to policy prescriptions. The external factors include the debacle of the East Asian miracle, a regional cluster of economies long been deceptively projected by the neo-liberals as the glaring success story of structural adjustment and the Washington Consensus. Finally, the rebellion of civil society organizations around the world against the Bank has been highlighted in this chapter, since this was one of the most important elements in questioning the legitimacy and efficacy of the Bank's development activities. The SAPRIN report, the Battle in Seattle and the consequent streak of public protests, the formation of *Jubilee 2000* campaign and *50 Years is Enough* campaign comprise the third part of the argument, which is actually a direct response to the internal and external factors that had plagued the Bank and the Fund.

The internal factors highlight the crisis emerging from within the capitalist circle and the Bank itself. The claim that the Bank was not functioning properly was confirmed by these factors. The external factors are broader in nature and scope and relate to the recent crisis of capitalism within a so-called globalized world. The failure to deliver on the promise of a poverty free world and enhanced prosperity across the board severely damaged the faith on the system, and the smoldering discontent finally resulted in an outburst against the system. The key capitalist agencies or the "unholy trinity" represented by the World Bank, the IMF and the World Trade Agency (WTO) share the bulk of the responsibilities for this spectacular failure, and therefore became targets of the anti-globalization protestors. In such a crisis condition, it became more or less impossible for the Bank to continue working authoritatively in the developing countries without altering or at least pretending to alter their existing theoretical and operational apparatus.

The Roots and Background of the Problem

Since their inception from the ashes of Europe after the World War II, the Bretton Woods Institutions have evolved a lot to adjust to the changing demands of the capitalist world system. Once the reconstruction and rebuilding work of Europe was successfully accomplished, the focus was shifted towards the rest of the world, mostly the poorest of the countries trying to assert their identity from the debris of colonial depredation and capitalist repression.

During the colonial era the Western colonizers, destroyed the existing institutions, culture and economy of the subjugated colonies to establish their supreme control. Stiglitz (2001) rightly said that though the colonial rulers "tried to graft on to existing cultures foreign institutions and ideas, but in a process of imposition, in which control and authority lay outside and not within, it is not surprising that the graft did not take hold" (P: 195). After centuries of ruthless repression and exploitation the colonial rulers left these countries in a state of void where the old was destroyed and nothing viable had been created.

In a condition where the erstwhile colonies neither had the human capital nor institutions to tap into the global market and the global economy suffering from a low movement of capital, the Bretton Woods Institutions were redesigned in the late 1960s to bridge the gap and make international trade possible. The role of the Bank was therefore reassigned to make up for the lack of direct investment (Soros, 1998: 106-7)[xi]. The developing economies thus found a new "friend" in the World Bank, ready to help them out of condition through "technical guidance" and "development assistance".

While the initial mandate of the Bank was to engage in large scale infrastructure projects in post-World War II Europe, the Bank shifted its focus on transforming economies of the developing countries in the late 60s. The credit largely goes to Robert McNamara, the former President of the Bank from 1968 to 1981, who authoritatively pushed the Bank establishment to focus on developing countries.

During the late 1970s, Keynesianism appeared to lose its appeal among mainstream economists and policy makers in Britain and the U.S. as a feasible policy to facilitate the process of globalization. The resurgence of globalization in the north was coupled with a renewed belief in conservative economic thinking popularly branded as neo-liberalism. As neo-liberalism gained ascendency and became the dominant discourse, the Bretton Woods Institutions were redesigned accordingly to expand the clout of the discourse. Protectionist regimes gave way to open market economy where the role of the state was reduced to minimum and the "invisible hand of market" became the final arbiter.

At the level of international policy making structural adjustment programs were the strategy through which the Bretton Woods Institutions sought to implement the agenda of neo-liberalism. This was perhaps the most important reforms project undertaken by the Bank and the IMF on the poorest countries that drastically redefined the nature of these economies and the role of state in relation to welfare of its people. Structural adjustment programs are defined as macro-economic measures that seek to foster economic growth and development. The underlying philosophical argument behind the adjustment rests on the belief that macroeconomic policies would be sufficient enough to reorganize and revitalize the ailing developing economies regardless of their history or institutional character (Plaza & Stromquist, 2006).

The initial belief in adjustment programs was put to test in the late 80s when the countries that had implemented the Bank-IMF directed adjustment programs experienced social turmoil and breakdown of their economies. The discontent against the adjustment programs rapidly culminated in street protests all over the world. The 1999 "Battle in Seattle" is an example that underlined the fact that people's patience with globalization was wearing thin.

The evidence of increasing poverty and inequality in most parts of the world and the resulting social turmoil spurred controversy over the existing policy framework prompting the United Nations to discuss about the issue in detail. The World Summit for Social Development held in Copenhagen in 1995 where a large number of heads of states and governments gathered to deliberate on poverty, inequality, social exclusion and unemployment painfully agreed that the world was witnessing a despicable state of poverty amid a spectacular expansion of prosperity for some countries. The Summit concluded that this was a glaring contradiction and therefore unacceptable. They felt that urgent actions were needed to be undertaken to rectify the situation (United Nations World Summit For Social Development, 1995).

The Wapenhans Report

The 1990s was a turbulent decade for the Bank. The revelation of systematic and pervasive problems in its loan portfolio management, disregard for the environment, lack of openness in decision making process, and an overall poor social record drew flak from various civil society organizations. The pressure was mounting on the Bank as evidences from India, Thailand, Brazil, Indonesia, Cote d'Ivoire and Gabon showed that the Bank funded projects were poorly designed and wrecked havoc on the environment as well as on the life of local people. In response to these allegations, the Executive Directors of the Bank on September 1993 appointed an internal inspection panel led by the Bank's former Vice President Willi Wapenhans (Bossard, P., Hunter, D., & Udall. L., 1993).

The report of the panel popularly known as the Wapenhans Report came out with puzzling findings about the Bank's performances. The report noted that 37.5% of the projects completed in 1991 were deemed failures, which was 15% in 1981 and 30.8% in 1989. It also noted that 30% of the projects in their fourth or fifth year of completion had major faults. The findings also revealed that the success rate of Bank initiated projects in Africa was as low as 17.2%. The most alarming fact revealed in the Wapenhans Report was that these failures were not isolated incidents rather these were fast spreading into the traditionally strong performing sectors like telecommunications (18%), power (22%), industry (17%) and technical assistance (27%) (Chatterjee, 1994).

Table: 2.1

Summary of Failure Rate of the World Bank Initiated Projects

	1990-93	1994-97	1998-99	1990-99
Adjustment Lending	55%	45%	37%	47%
Investment Lending	60%	59%	56%	59%
Africa	75%	74%	68%	73%
South Asia	66%	56%	60%	61%
Latin America	51%	50%	37%	48%
East Asia	38%	36%	48%	39%
Low Income	73%	69%	66%	70%
Lower Middle Income	48%	50%	46%	49%
Upper Middle Income	45%	36%	31%	39%
High Income	27%	30%	28%	28%
Total	59%	56%	53%	57%

Source: Meltzer Commission Report 2000.

The Report pointed out that a high percentage of the Bank loans were not even meeting the Bank's own criteria, a net minimum economic return of 10%. The Report drew attention towards a "loan approval culture", and a careless attitude towards project implementation. Too much emphasis on satisfying certain lending targets coupled with a staff incentive system boosted the quantity of loan disbursed but in the end it compromised quality, thus undermining the long term viability of the Bank initiated development projects, observed the Report (ibid).

The Report concluded that the portfolio of the Bank was under pressure. Far from being temporary the pressure was being attributed to deep rooted problems, which must be diagnosed and resolved in order for the Bank to remain effective, suggested the Report. It also noted that the current trend of ignoring the poor performance of the Bank could result in disastrous consequences not for the Bank only but importantly for the borrowers as well (The Whirled Bank Group, 2000).

The Wapenhans Report was a shot in the arm of civil society organizations that had long been demanding for transparency in the Bank affairs. Though the findings of the report are hardly new, the Report in a sense officially recognized the misgivings of civil societies against the Bank activities. The report also revived the issue of the Bank's particular liking for quantitative achievement at the expense of qualitative and lasting change. After the release of the report demand arose from across the civil society organizations to provide observer status to environmental and non-governmental organizations at the meetings of the World Bank Executive Directors. They also demanded establishment of an Ombudsman's Office or Independent Commission to look after the allegations against the Bank. Various popular campaigns including the *50 Years is Enough*, cashing in on this opportunity, urged all the like-minded non-governmental organizations to rally around the idea of treating the Report as a turning point and beefing up pressure on their respective governments so that the individual Governors take up the Report in favor of their proposed reforms (Gerster, 1994).

The findings of the report also created mix reaction among the Bank's own staff members. One of the ex-World Bank staff (name not mentioned in the source) was quoted to have diagnosed the Bank as suffering from chronic ambiguity of, and conflict between objectives. The staff reportedly claimed that the Bank often assumed the role of an evangelist seeking changes in the behavior and beliefs of developing countries while simultaneously trying to manage the role of a banker that mediates between the capitalist market and its borrowers (Mosley, 1995).

The repercussions of the Wapenhans Report were felt by the World Bank Board of Directors as well. It drew heavy reactions from the Bank Directors like Evelyn Herfkens (Netherlands), Jorunn Maehlum (Scandinavia), Patrick Coady (USA), and Fritz Fisher (Germany). They strongly suggested the need to create an independent unit to monitor the Bank projects and check failures (The Whirled Bank Group, 2000).

The Meltzer Commission appointed by the US Congress also drew extensively on the findings of the Wapenhans Report to arrive at its decision of scrapping the loan-giving activity of the Bank and confining its role to providing grants only.

The Meltzer Commission Report

In November 1998 the then US government authorized approximately $18 billion of additional funding for the International Monetary Fund in the backdrop of the financial crises in Latin America, Mexico, Asia and Russia. The US Congress was seemingly very skeptical about the performance of the IMF, and raised questions about the efficacy and wisdom of the IMF in utilizing allotted resources, and whether its advices mitigate or heighten the severity of the financial crises in the ailing countries. The Congress also doubted the IMF claim of poverty reduction in the poorest countries through its various adjustment programs, and maintained that there had been a large gap between the promises and achievements of the IMF. In this context, the Congress established an advisory commission led by Carnegie Mellon University Professor Allan H. Meltzer to scrutinize the performances of the seven International Financial Institutions including the IMF and the Bank, and to recommend the future role of these institutions (Meltzer, 2000).

The Commission entitled "International Financial Institution Advisory Commission" had been given six-month timeframe to report back. It operated under the US Treasury Department rules. The Commission report is based on interviews of executives of the institutions it had been asked to review; reports published by the international financial institutions; scholarly research and academic works on the performance of international financial institutions; informal discussions with high-ranked US Treasury Department officials, policy analysts and other concerned personalities (Meltzer, 2000, & Mikesell, 2001: 883).

The Commission in its report was especially critical of the role of the Bank in reducing poverty. It criticized the Bank for not moving rapidly enough towards the goal of poverty reduction or raising the living standards and the quality of life in the poorest countries of the world. Referring to the internal evaluation report (Wapenhans Report) published by the Bank itself, the Commission pointed out that the staggering failure rate of 55-60%, indicates the wide gap between the Bank's rhetoric and promises, and its performance and achievements. The Commission contradicted the Bank's claim of focusing its lending exclusively on countries denied access to the capital market, and pointed out that only a handful number of 11 countries that enjoy easy access to capital market receive 70% of the Bank's total non-aid resources, which means that the rest of the 145 members of the Bank are left with only 30% share (Meltzer, 2000).

The Commission report contradicted the claim of Bank officials that they devote greater efforts to countries deprived of market financing and to social projects that generally fail to command interest of private investors. It noted that the Bank documents reveal a somewhat different story, which shows that all of the funding goes to the most credit-worthy countries requiring guarantee from the host government. The Commission pointed out that if the government guaranteed the service of the loans, then private sector would equally be interested to finance socially desirable projects. Therefore, the Bank should refrain from taking pride in offering loans to social projects (ibid).

The weak performance of the Bank in reducing poverty in the poorest countries of the world came under severe attack as the Commission lambasted the Bank culture of ignoring the importance of institutional reforms, poor incentive structures, weak managerial controls, and misdirected efforts. It emphasized the need for improving the system of project evaluation, performance evaluation and identification of viable projects.

Referring to the Wapenhans Report, which identified the Bank policy of "moving money" as a cause behind the deterioration of the quality of the Bank projects, the Commission criticized the Bank for not focusing on the actual value of the projects in deciding loan offer to a certain country. The Commission maintained that the culture of lending for the sake of lending did little good to the poverty scenario of the implementing countries. The Commission agreed with an Asian Development Bank portfolio review that the "approval culture" of the Bank which aims at achieving the yearly lending targets ignoring the client interest did undermine the possibility of selecting effective projects.

The shift from project-based lending to adjustment financing and public sector loans in recent times allowed the Bank to conceal its failure, observed the Meltzer Commission Report. It pointed out that the inclusion of many new objectives in terms of performance allowed the Bank to claim greater success on different fronts, while simultaneously hiding failures to improve the living standards of poor people, which should have been the prime focus. The Commission scrutinized the project performance criteria set out by the Bank and found that the project evaluation process at the Bank gets low marks for credibility.

The Commission report revealed that what is described as "successful" in the Bank evaluations is actually "marginally satisfactory" in terms of performance. While the Bank audits only 25% of the projects; nearly 59% of the investment programs during 1990-99 were identified by the Commission as failed using the Bank's own ratings. The Commission predicted that the failure rate would be even higher if independent auditors were used to measure the success of the Bank initiated projects.

The achievements of the Bank projects were found to be related with the wealth and prosperity of the recipient countries. The Commission found that most of the success stories of the Bank projects are concentrated in relatively upper-income countries that possess rich domestic resources and an easy access to private-sector funding. On the other hand, in the poorest countries the failure rate of the Bank projects range from 65 to 70% against 30-40% failure rate in upper-income countries. These disturbing findings led the Commission to conclude that the Bank initiated projects do not yield satisfactory benefit for the poorest countries unlike the upper-income countries.

The Commission unanimously voted that "(1) the International Monetary Fund, the World Bank and the regional development banks should write-off in their entirety all claims against the heavily indebted poor countries (HIPCs) that implement an effective economic and social development strategy in conjunction with the World Bank and regional development institutions, and (2) the International Monetary Fund should restrict its lending to the provision of short-term liquidity. The current practice of extending long-term loans for poverty reduction and other purposes should end" (Meltzer, 2000).

The recommendations also included renaming of Development Banks as Development Agencies. Their new role in this regards should be alleviation of poverty in the developing countries rather than lending money. The recommendations also included the need to bring back the focus on raising living standards, the improvement of health care, primary education and physical infrastructure in developing countries. It opined that outright grants provide a realistic vehicle for poverty reduction rather than loans attached with severe conditionality. Therefore, the Development Agencies should concentrate on granting open subsidies provided by the industrialized countries.

The negative assessment of the performance of the international financial institutions and the radical recommendations by a commission appointed by the US Congress sounded alarms among the mainstream policy makers about possible repercussions against the legitimacy of the activities of the international financial institutions. Anticipating problem the US Department of Treasury swung into action and decided to distance itself from the recommendations of the Meltzer Commission.

In a response to the International Financial Institutions' Advisory Commission Report, the US Department of Treasury noted that it did not support the Commission's recommendation of downsizing the role of the Bank because, "[t]he World Bank's global focus and unparalleled cross-regional experience represent an enormously valuable asset to developing countries in all of the regions, and to the shareholder community more broadly" (US Department of Treasury, 2000).

Despite the US Treasury Department's all out effort to downplay the findings and recommendations of the Commission, it spurred debate about the performance and efficacy of the Bretton Woods Institutions in reducing poverty in the developing countries. George Soros (2002), a prominent mainstream thinker and an avid critique of current globalization process, supported the recommendations of the Meltzer Commission to the extent that the Bank's mission and operating methods be reconsidered. He supported the Commission observation that the lending business of the Bank was inefficient and inappropriate, and at times counterproductive because he thought that the lending process reinforced the role of central governments in the recipient countries. Soros however differed with the Commission recommendation of terminating the entire lending operation of the Bank terming it a premature idea. Soros also criticized the idea of turning the Bank into a World Development Agency as it would make the Bank much more dependent on the donor governments.

Taming of the Tigers: The East Asian Crisis

The Thai Baht collapsed on July 2, 1997 sending shock waves throughout the world as it became increasingly evident that an imminent crisis was about to engulf the world. The East Asian crisis is considered by many as the greatest economic crisis since the Great Depression (Stiglitz, 2003: 89). The crisis that started in Thailand was later spread to Korea, Malaysia and Indonesia. The Philippines, Hong Kong, Singapore, China and Taiwan were also affected but to a lesser extent (Yusuf, 2001: 1). The crisis in Thailand originated from a burst in the real estate sector that was booming in the early 1990s as a result of a strong economy. Supported by heavy Bank loans the real estate boom resulted in a sharp rise of stock prices. In 1997 when the bubble in asset prices burst, the banks tumbled as a result of a huge number of non-performing loans which preceded the currency devaluation (Ito, 2001: 69-70).

The East Asian tigers had long been championed as success stories by the Bank and the IMF, and as models for other developing countries. After the crisis, the East Asian countries descended into examples of momentary and fragile success of neo-liberal capitalism from the lofty perch of "miraculous achievements". Numerous Asian companies went bankrupt, domestic and foreign investors in a desperate move relocated their capitals elsewhere, interest rate saw spiraling hike, governments tumbled, employment nosedived, and inflation skyrocketed to heighten the misery of the disconsolate people. The political turmoil and massive social unrest brought the governments in South Korea, Thailand and Indonesia to their knees (Jayansuriya & Rosser, 2001). Apart from the plights of millions of poor people in the region, the crisis also jolted the capitalist institutions especially the Bank and the IMF, which subsequently resulted in a serious ideological crisis for the two institutions.

For the first time the very ground of Washington Consensus seemed undermined by the spectacular events following the crisis. Prior to the crisis the ideal prescription for development used to be adhering to the principles of the Washington Consensus that is opening up of capital accounts to foreign investors, privatization of state owned enterprises, trade liberalization, exchange rate deregulation and reducing the firm grip of state on economic matters. The East Asian countries were deceptively portrayed by the Bretton Woods Institutions as practical examples of how Washington Consensus could bring about miraculous change. The Bank and the IMF exploited the East Asian example to legitimize their intervention and implementation of neo-liberalism in the sub-Saharan Africa and Latin America (Baer et. al., 1999). The macro-economic indicators also spoke for the international financial institutions as between 1965 and 1990, eight of the East Asian economies including Japan; the four original tigers - Hong Kong, South Korea, Singapore and Taiwan; and the three newly industrialized countries - Indonesia, Malaysia and Thailand grew three times as fast as Latin America, and 25 times faster than sub-Saharan Africa accompanied by remarkable reduction in poverty and income inequality, and significant increase in life expectancy (Prakash, 2001: 120).

Once the sign of recession became evident, it swept through the region fast and no one could bring back the confidence of the panicked investors in the ensuing period. Amid the growing concern and frustration among investors, the countries called the IMF for help to manage the crisis. The IMF instead of reigning in the situation exacerbated the problem with its wrong policy prescriptions at wrong time and mindless implementation of structural reforms programs which had far reaching short term as well as long term implications. Stiglitz (2003) in his analysis showed that "capital account liberalization was the single most important factor leading to the crisis [East Asian crisis]" (P: 99). Accusing the IMF for worsening the already troublesome situation in East Asia, Stiglitz labeled it as an intellectually impotent organization and commented that "intellectual consistency has never been the hallmark of IMF ..." (p. 107).

As for the Korean case, the US$21 billion rescue package of the IMF demanded complete opening up of capital account, transformation of labor markets in the direction of Western institutional arrangements by abolishing lifetime employment practices, the closure of troubled banks and liberalization of the banking sector to foreign entities (Agosin, 2001).

The trouble heightened as the Fund and the Bank fought each other over what should be the appropriate policy to tackle the recession in the East Asian region. Former IMF and World Bank official, Dennis de Tray, Vice President of the Center for Global Development in a luncheon meeting befittingly claimed that the Fund was never able to overcome the image crisis it suffered during the Asian financial crisis, when it "lost its legitimacy and never recovered it" (Quoted in Bello, 2006).

Walden Bello (2006) summarized the devastating impacts of the East Asian crisis on the image of the IMF as:

> First: it [IMF] was seen as being responsible for the policy of eliminating capital controls that many of the governments of East Asia followed in the years preceding the crisis. The second hit was the widespread perception that the multibillion rescue packages assembled by the IMF for the afflicted countries did not actually go to rescuing the economies but to paying off foreign creditors and speculative investors.... These scandalous developments led to strong criticism of the IMF, even from free-market partisans such as George Shultz, Secretary of State under Richard Nixon, who said that the Fund was encouraging "moral hazard", or risk-free investment and lending, and should therefore be abolished. The third blow to the Fund sprang from the results of the stabilization

> programmes it pushed on the crisis economies. With their wrongheaded emphasis on cutting back on government spending in order to fight the wrong enemy – inflation – these programmes actually accelerated the descent of these economies into recession.

The IMF and the Bank tried hard to evade the responsibility by reversing their earlier position on East Asia claiming that the excessive intervention of governments led to the emergence of "crony capitalism" within the region, which in turn generated rents within the economies and encouraged "rent seeking" activity. This explanation falls flat on the earlier portrayal of East Asian economies by the Bank and the IMF as champions of Washington Consensus and neo-liberal policies or at least "simulated free markets". This explanation of the East Asian case by the Bretton Woods Institutions backfired as it left them with no clear evidence that Washington Consensus could return tangible positive change. Jayasuriya & Rosser noted that though this analysis "appears at first to comport with the Washington Consensus, it effectively undermines it because it implicitly accepts the statist argument that one of the chief features of the East Asian miracle was a close and collaborative relationship between government and business (2001: 385).

Joseph Stiglitz: The Rebel Within

Joseph Stiglitz is probably one of the few individuals who single handedly damaged the reputation of the Bretton Woods Institutions through his open and scathing attack against the imprudent and short sighted policy prescriptions by the IMF policy makers towards the developing countries. The fact that Stiglitz is a mainstream economist and worked as a high ranking staff at the Bank severely undermined the credibility and legitimacy of the Bretton Woods Institutions in handling policy affairs of the developing countries. His open salvo against the Bretton Woods Institutions achieved him an iconic status among the anti-globalization and the anti-Bank-Fund activists. His speeches have become so popular that he is frequently invited by organizations in the developing countries to deliver lectures on their economic policies.

Stiglitz possesses an illustrious career. He received his PhD from MIT, held faculty positions at Yale, Princeton and Stanford. He was appointed as the Chairman of President Clinton's Council of Economic Advisers, became the chief economist for the World Bank, and in 2001 he won the Nobel Prize in economics. During his stint as the Senior Vice President and Chief Economist at the Bank, Stiglitz had a constant battle with the IMF strategists over appropriate policies for developing nations. He criticized the IMF for adhering to "market fundamentalism" so faithfully that they ignored other issues, which he thought were equally important for poverty reduction.

The East Asian crisis in 1997 was the breaking point when Stiglitz decided to launch his salvo against the alleged mishandling of affairs by the IMF. Stiglitz called for a review of the Washington Consensus in view of the ensuing crisis in the East Asian countries. Though Stiglitz suggested the need for a post-Washington Consensus he did not however rule out the necessity of liberalization process or complete rejection of the Consensus in keeping with his mainstream belief.

In his WIDER Annual Lecture Stiglitz criticized the Washington Consensus for not being complete and at times appearing misguided. He pointed out that making markets work requires more than just low inflation. It demands a sound financial regulation, and policies that promote competition and facilitate transfer of technology. He also stressed on the need for a pro-active state, which the IMF policy makers often tend to reject as an option. Referring to the success of the East Asian economies he claimed that in contrary to the belief held by people at the Bretton Woods Institutions, it was the positive role of the East Asian states that provided the much needed boost (Stiglitz, 2001: 17-8).

Stiglitz argued that the East Asian crisis was precipitated by a number of flawed policies undertaken by the governments, many of which were allegedly encouraged by the international financial institutions. He accused that the success of the Washington Consensus rested in its simplicity, which could be administered by economists using simple accounting frameworks. He pointed out that at times it allowed the IMF economists to devise policy prescriptions for developing countries in a matter of few weeks stay in the respective country (ibid: 21).

In a recently published book titled Globalization and its Discontent Stiglitz roundly criticized the IMF for exacerbating problems in the developing countries[xii]. The book is indeed a piece of ferocious attack on the IMF for its erroneous policy prescriptions, which he believes emanated from the Fund's firm belief in a flawed economic model. Timothy Koechlin (2006) rightly pointed out that the power of Stiglitz's book is not so much in its originality or its insight, but in its legitimization of popular suspicion about globalization. In this book he openly called the IMF as an ideologically arrogant institution insisting that the IMF prioritizes the need of the richer countries and thus stifled economic development in the developing countries and promoted inequality across the globe.

SAPRI Network

Structural Adjustment Participatory Review International Network (SAPRIN), the global civil society partner of the Bank in Structural Adjustment Participatory Review Initiative (SAPRI), was formed at the backdrop of the devastating impact of structural adjustment programs (SAPs), and the consequent social and economic unrest in most of the SAPs implementing countries. SAPRI was officially launched in July 1997 in collaboration with the Bank, as part of the commitment made by James D. Wolfensohn, the then President of the Bank, in 1995 to engage civil society in order to explore the "fundamentally different perspective on economic policy, to democratize economic policy making, and to legitimatize a role for organized civil society in this key area of development programming" (SAPRIN, 2002). SAPRIN is described as a tri-partite exercise that brought together the Bank, national governments and civil society organizations around the world on a common platform. Initially, eight countries were involved with the process of reviewing the impacts of adjustment programs. These are: Ecuador, El Salvador, Ghana, Mali, Uganda, Zimbabwe, Bangladesh and Hungary (ibid).

The SAPRI report, being published after a thorough and time-consuming process of research, is organized around the SAPs policies that were prioritized by the local people of the participating countries to examine their impacts on different sectors and groups. The report made extensive observation of the impacts of trade-liberalization, financial sector liberalization, effects of labor market reform on working people and employment situation, economic and social impacts of privatization programs, impacts of agricultural sector adjustment policies on small farmers and food security, socio-economic and environmental impacts of mining sector reforms, and the effects of public expenditure policies on education and health care.

The approach to the study was participatory. The process involved holding public hearings in the participating countries on the topics mentioned above. The findings collected from individuals, NGO groups, reports were shared within the country in Open Forums. The process concluded with a Global Forum held at the Washington D.C. in July 2001 where individual country reports were discussed and finalized (ibid).

While assessing the impacts of trade liberalization on the seven participating countries, SAPRI report observed that although the volume of exports increased as a direct effect of adjustment programs, import growth rate largely outstripped this achievement in the export sector causing huge trade and current-account deficits resulting in higher levels of foreign debt. Moreover, the declining terms of trade, export heavily dependent on a handful number of resources, and use of low-skilled labor endangered the economic base of the implementing countries. It was also observed that whatever gain there was, it largely went to transnational corporations at the cost of domestic producers.

The country studies revealed that the greatest losers of adjustment programs were the local small and medium scale innovative manufacturing firms that used to accommodate bulk of the employment for locals. The indiscriminate import liberalization program encouraged by the Bretton Woods dealt a severe blow to the output of these small and medium scale firms forcing them into bankruptcy. In absence of a proper and befitting industrial policy, the participating countries were flooded with cheap imports displacing their local products.

Commenting on the impacts of financial-sector liberalization, the SAPRI report claimed that the Bank-led process was a short-sighted one that narrowly focused on interest rates and capital accounts liberalization. This in turn helped some of the vested interest groups to become monopolistic in terms of seeking profit while pushing the small scale traders into jeopardy. The goal of macro-economic stability and economic efficiency remained far-fetched dreams under adjustment programs. Data show that the reforms in Bangladesh resulted in 1% of the total population controlling access to 70% of the available bank funds, while 95% of the remaining borrowers were restricted to only 14% of the funds. In Ecuador similar trends were observed as a result of financial-sector liberalization. Small and medium scale firms, rural and indigenous producers, and women were the worst victims of the liberalization process since they were unable to get bank credit.

One of the promises of adjustment programs was to boost employment. In reality the promise remained unachieved in most of the participating countries. The SAPRI findings revealed that there were no direct and explicit policies built into SAPs to promote employment in the participating countries. The implementation of labor market reform programs had rather adverse impacts on laborers, which literally turned them into just another commodity to be sold at the market. The discretionary power given to the employer to hire and fire workers at minimal cost and responsibility made life precarious for workers.

There is a debate as to the credibility and reliability of the SAPRIN findings as critics questioned the "selective" use and alleged "manipulation" of publicly available statistical data to fit preconceived conclusions (Villanger, E., Pausewang, S. & Morten, A, 2003). A paper, commissioned by the Norwegian Ministry of Foreign Affairs (MFA) jointly authored by Espen Villanger, Siegfried Pausewang and Alf Morten (2003), questioned the methodological aspect of the SAPRIN report. The authors claimed that the conclusions drawn in the final SAPRIN report deviated from the base country studies, and at times the sources of the information were not revealed to the reader casting doubt on the credibility of the report (ibid).

Echoing the Bank's views on SAPRI report Villanger et. al. (2003) also noted that the extent to which SAPs caused the deterioration of the situation in participating countries could not be ascertain properly in absence of counterfactual analysis. The authors noted, "[s]ome countries were in severe economic crisis, others struggling with the transition from centrally planned systems to market economies, and others attempting to boost economic growth from a fairly solid foundation. Given the initial conditions when the SAP was initiated, the question becomes how to attribute any change in poverty [situation] to the program versus other factors. If poverty has increased, is that due to the economic crises, or to SAP?" (ibid). If that is so, then, in a similar vein, one can also question the success of any policy given that there is always interplay of multiple factors influencing policies, and to attribute success to a single policy is as misguided as it is to attributing failure. Therefore, the claim of growth or adjustment programs leading to poverty reduction as claimed by the Bretton Woods Institutions should similarly be rejected.

The SAPRI findings were a decisive blow from the civil society to the credibility of the Bank's claim that structural adjustment leads to higher living standards and better economic life for a nation. James D. Wolfensohn, anticipating the fall out of SAPRI report, intended to delay the completion of the research through long-drawn out negotiations, seizure of funding, and subverting the process by offering to turn the joint exercise into a longer-term research project. The SAPRIN leaders throughout the process remained unmoved and demanded the process be carried on as per original plan. Along with the belief that the joint exercise would dig out true stories of struggle under adjustment programs, the SAPRIN leaders also felt that this was an opportunity to legitimize the voice of civil society in economic policy making which prompted them to refuse the proposal to convert the joint consultation process into a long-term research project.

Eventually, the Bank distanced itself from the SAPRI findings and remained absent at the final round of discussions aimed at synthesizing the SAPRI findings. The participant governments also back tracked from their pledged cooperation foreseeing backlashes from the Bank and the IMF, and a perceived possibility of mass upsurge against their involvement with Bretton Woods Institutions once the SAPRI findings were published.

The Bank later published its own report on structural adjustment entitled *Adjustment from Within Lessons from the Structural Adjustment Participatory Review Initiative* in 2001. The Bank claimed that this report follows the same structure as the SAPRI report and focused on the same set of issues, but it does not clarify the necessity of a separate document. Recognizing that the SAPRI initiative was a valuable partnership experience for the Bank, it maintained that the report produced by SAPRI despite being an exclusive one suffers from imperfect outcomes (The World Bank, 2001: 5).

The SAPRI report and the following incidents thereby contradicted the Bank's claim that it seeks constructive engagement with civil society, and is committed to consultation with stake-holders affected by the Bank run projects. As the report mentioned, "[t]his report, the findings that follow, and the SAPRI initiative itself constitute a challenge to those claims. The findings not only represent the perspectives of the people themselves in the South, but they are also the result of a process in which the Bank was directly and intimately involved. It is a challenge that the Bank has so far failed to meet" (SAPRIN, 2002: 26).

People Stand against Globalization: The Decade of Protests

While analyzing the impacts of popular protests on the Bank operations, it would be necessary to discuss the matter in the bigger context. It would be a mistake to think that people were complaining against only one single agency when they took to the streets. The combined effects of the policies promoted by the capitalist agencies like the

Bank, the IMF and the WTO, fueled anger among the people eventually resulting in the massive demonstrations. Therefore, when we talk about the impacts of popular protests, we should include the ones that seemingly exclude the Bank.

The popular protests against the policies of the so-called "unholy trinity": the Bank, the Fund and the WTO were so frequent and intense in the 90s that these effectively shook the belief of majority of the world that things were going in the right direction. For example, the Battle in Seattle in 1999 for the first time undermined the belief of American people on the current form of globalization. The everyday Americans, who are usually individualistic and busy with their own life and apathetic towards what is happening in other parts of the world, in a surprising display of anger foiled the scheduled meeting of the World Trade Organization scheduled to be held in Seattle. They were aided by people coming from all corners of the world including activists from the American Left and trade unions. The widespread media attention of the spectacular event of 50,000 people taking to the streets engulfed the whole nation into the thought of why their beloved children would "subject themselves to point-blank police violence" (Phillips, 2000).

While the Seattle protest attracted overwhelming attention in media due to the fact that this took place in the center of the world, there were numerous other popular protests against the misconceived policies of the Bank and its corollaries. As Woodroffe and Ellis-Jones (2000) noted that "this 'new movement' [anti-globalization demonstrations] portrayed by the media as students and anarchists from the rich and prosperous global north, is just the tip of the ice berg. In the global south, a far deeper and wide-ranging movement has been developing for years, largely ignored by media".

Writing on the streak of protests Anup Shah (2001) pointed out that the purpose of these mass demonstrations was to protest against the current form of globalization, which he described as unaccountable, corporate-led, and non-democratic. He added that the policies pursued by the Bank and Fund were instrumental in structuring a neo-liberal global financial system that jeopardizes the lives of poor people through exerting control over economic policies of developing countries. The outbursts were simply the results of the mishandling of policies by the capitalist duo.

Commenting on the significance of the Battle in Seattle Gindin (2001) portrayed it as an "antidote to the debilitating pessimism of 'there-is-no-alternative'", a famous proclamation made by Margaret Thatcher. Gindin saw Seattle as a confirmation and return of the hope that the capitalist system could be resisted and a decent world meant actively protesting against the system. For Gindin, the huge turnout of protestors in Seattle wasn't the most significant factor since the Ontario Days of Action in Hamilton and the following Toronto protests brought more people onto the streets. For him, the true importance of Seattle was symbolic. It gave birth to a new generation full of confidence and daring enough to give the system a name that had no name. "Seattle declared that globalization could no longer be addressed without addressing capitalism" Gindin, 2001: 2).

Gindin added that the role of the capitalist agencies like the World Bank, IMF or WTO is to formalize and consolidate the property rights through treaties. The Battle in Seattle questioned the very basis of these treaties, and made visible the formerly invisible social reality behind market. The abstraction of the market was re-politicized by these street protests and capitalism's face was rediscovered. Gindin argued that the international agencies e.g. the IMF and the WB failed to defend their role and their act in the face of these demonstrations. For him, these international capitalist agencies lacked the cultural, historic or administrative authority to defend controversial messages.

The Seattle protest was followed by a confrontation of pro and anti globalization forces when nearly 30,000 protesters besieged the American capital of Washington, DC in April, the scheduled venue for the spring meeting of the IMF and the World Bank. The unrelenting protesters demonstrated for four consecutive days in rain swept conditions barred by 10,000 policemen from entering the WB-IMF complex. Though the angry protesters failed to reach the complex, they did however successfully draw the attention of the world towards the increasing poverty across the world primarily resulting from the deeds of the Bretton Woods twins (Bello, 2000).

Jubilee 2000 Campaign

Probably the most important development in terms of putting pressure on the Bank was the formation of the *Jubilee 2000* campaign. The campaign was launched in April 1996 (Grenier, 2003:86) by the Religious Working Group on the Bank and the Fund. Originating in Britain, the *Jubilee 2000* is a worldwide movement to cancel the crushing international debt of the poorest countries in the world. The campaign was framed in moral terms on the occasion of 2000th anniversary of Christianity announcing it a "jubilee year" calling for cancellation of debts of the poor countries (Reitan, 2007: 66). From a Christian faith based organization, *Jubilee 2000* later expanded to incorporate secular groups, NGOs and civil society organizations. The principal targets of the campaign were the Bank and the Fund for their unaccountable nature though it recognized that the G7 countries are also important in terms of cancelling debt (Grenier, 2003: 94).

The *Jubilee 2000* has organizing offices in nearly 69 countries and individuals in 166 countries covering all five continents. The campaign mobilized millions of people and hundreds of organizations to positively influence policy making in relation to poor countries (Grenier, 2003: 86). It was also able to collect a whopping number of approximately 24 million signatures from more than 165 countries calling for cancellation of debt of poor countries (Reitan, 2007: 82). The signature campaign, easily the biggest of its kind, was able to carve out commitments from G7, now G8, leaders promising to cancel the outstanding debt of poor countries. The Heavily Indebted Poor Countries (HIPC) debt cancellation initiative of the Bank and the IMF was also the direct result of immense pressure exerted by the *Jubilee 2000* movement.

Since *Jubilee 2000* was rooted in faith-based organizations, the extended network of churches connecting North and South helped the cause of debt cancellation. Madeleine Bunting (2000) aptly said, "The secret of *Jubilee 2000*'s success is simple but unfashionable: it is the Christian churches". The campaign was able to attract mainstream media attention due to the celebrity support and near brand status of its name. From Boxer Mohammad Ali to Irish rock star Bono, all contributed to the publicity of the campaign. Even, a widely revered personality like Pope John Paul II acted as a spokesperson for the campaign heightening the pressure on the WB-IMF and rich countries to shun the path of exploiting poor countries (Reitan, 2007: 78-9).

The HIPC initiative was the first sign of the Bank and the Fund doing business differently. The initiative laid the ground work for the inception of the PRSPs. Though the HIPC initiative is heavily criticized by some quarters for failing to live up to the expectation of writing off the debt of poor nations, it successfully highlighted the problem arising out of mishandling of policies by the Bank-Fund duo.

50 Years is Enough

Another important development in the movement against the Bank and the Fund was the emergence of *50 Years is Enough* network, which effectively challenged the operations of the Bank and the IMF. *50 Years is Enough* is a coalition of over 200 US grassroots, women's solidarity, faith-based, policy, social and economic-justice, youth, labor and development organizations that promotes global economic justice. The network was founded in 1994, on the occasion of the 50th anniversary of the Bretton Woods duo. It has an expanded network with 165 partner organizations spreading across 65 countries. The central theme of the movement is that 50 years of the Bank and the Fund should have been sufficient to eliminate poverty (www.50years.org).

The dramatic nature of the name of the campaign soon gained popularity and was immediately embraced by many other organizations in different countries. Originally the campaign was media-oriented and engaged in responding to the Bank and the Fund public statements with analysis, facts, and positions. It attracted immense attention during the 50th anniversary of the Bretton Woods Institutions by revealing stories of directly-affected people as a result of their actions (ibid).

When James D. Wolfensohn assumed the presidency of the Bank in 1995, he stressed on the role played by the 50 Years is Enough campaign and promised careful scrutiny of the concerns expressed by the campaign network. He also agreed to initiate a joint investigation with civil society groups that incorporated the campaign leaders to study the impacts of structural adjustment programs (ibid).

Conclusion:

In this chapter I briefly touched upon the series of events that shook the base of the capitalist institutions namely the World Bank, the IMF and the WTO. The feeling of underachievement and crisis was felt by the mainstream community as well. As George Soros declared "The global capitalist system which has been responsible for the remarkable prosperity of this country [USA] in the last decade is coming apart at the seams" (1998: xi). For a large part of the 1980s and 90s, the Washington Consensus dominated the world in the form of structural adjustment of developing economies. The proactive advocacy of the Bank and the Fund contributed to the strengthening of the Consensus around the globe (Fine, B., 2001: x) until the East Asian crisis.

But when a decade of structural adjustment failed to bring luck to the billions of poor people, and the Bank's own estimates suggested that poverty reduction made little headway (ibid), people's patience with structural adjustment evaporated soon. Evidence that inequality was increasingly manifold in the most populous and richest countries of the world including the United States, China, Brazil, Russia and India along with the less developed countries (Shorrocks, 2004: xix), the inefficacy of the system and its inherent tendency to benefit a particular segment of the society became more pronounced.

These practical evidences coupled with the reports of malfunctioning of the Bank generated ample hatred towards the existing system. The Bank came under assault despite repeated attempts by James D. Wolfensohn, who actively sought to make the Bank the spearhead of the neoliberal transformation of developing countries (Bello, 2006:

1353). Civil society stood against the Bank demanding more transparency and an emphasis on building institutions away from a rigid focus on monetary issues.

Meanwhile the anti-globalization movement intensified aided by the organized networks of civil societies. The vehement global protests virtually obstructed the hitherto smooth functioning of the Bretton Woods Institutions. For the first time, the Bank and the IMF encountered a jolting crisis of legitimacy forcing them to look for an exit plan. A plan that would reinstate their lost legitimacy simultaneously would allow them to fulfill their declared mandate: to aid the capitalist system. The PRSP initiative was a desperate attempt of the ailing system to get rid of the impasse and do some image makeover. They publicized the idea that the PRSPs are a shift away from the doctrine of Washington Consensus, and an opportunity to return the decision making power back to the nations. This was a ploy in the direction of rebuilding image. In the next chapter I will discuss how much of the PRSPs is different from the Washington Consensus and how much of it is a continuation of the existing ideology.

Chapter Three

Ideological Shift or Strategic Change? The Truth about The Post-Washington Consensus

In his opening address at the "Scaling Up Poverty Reduction" Conference in Shanghai in May 25, 2004 the then President of the World Bank, James D. Wolfensohn confidently declared, "the Washington Consensus has been dead for years. It has been replaced by all sorts of other consensuses". Joseph Stiglitz went one step further and announced the heralding of a new consensus terming it the Post-Washington Consensus, and criticized the former consensus for confusing "means with ends" (2001:57). James Wolfensohn, in association with Stiglitz, later proposed a Comprehensive Development Framework (CDF), a new guideline of development support to developing countries based on what they said a holistic approach embodying the new thinking inside the Bank to deal with the problem of underdevelopment. T. N. Srinivasan, a renowned Yale University professor, dismissed both Wolfensohn and Stiglitz's much vaunted new thinking as "cliché ridden and banal" (Naim, 2000:95).

Ever since Wolfensohn and Stiglitz announced the death of the old consensus and publicized the emergence of a new consensus or a departure from the dominant discourse of Washington Consensus, it has generated pros and cons among development thinkers; some welcoming the new consensus while others rejecting it as old wine in a new bottle claiming that the new consensus is nothing more than a change of rhetoric to sell the reforms programs. Therefore, the notion of the PRSPs, which are believed to be the embodiment of this new thinking into implementable policies, needs close scrutiny. In this chapter, I critically investigate the truth about the much-hyped departure from the policies of Washington Consensus, and to what extent the PRSPs are different than their predecessors or structural adjustment programs. But, before I problematize the claim of ideological departure from the Washington Consensus in development thinking, I would briefly outline the nature of the Washington Consensus in its originality.

The Washington Consensus

The term Washington Consensus was first coined by John Williamson in 1989 to refer to the 10-point policy recommendations for Latin American countries. After a meeting with leaders of some Latin American countries in Washington, Williamson (1993: 1329) prepared a list of what he thought positive measures as a summary expression of the conventional wisdom of the meeting. He clearly stated that the list he prepared was a historically specific lowest common denominator of policy advice being address in the meeting (Williamson, 1990, 2000: 254). Williamson later admitted that the Washington Consensus that he merely summarized did not constitute a policy manifesto adequate for addressing poverty. He added that equity-oriented components or redistributive policies were deliberately omitted from the list, since he thought that this was not a normative list of what should be done, and that in the meeting there was no consensus on these issues (2000: 258-9).

Over time, the term Washington Consensus came to represent the revival of "*laissez faire* Reganomics" or neo-liberalism and to a large extent assumed a life independent of the original 10-point policy recommendations that Williamson merely articulated. Williamson tried his best to clarify that his version of the Washington Consensus differed from the popular conception about the Consensus but this was too late. As Naim pointed out, "The term Washington Consensus soon acquired a life of its own, becoming a brand name known worldwide and used independently of its original intent and even of its content". (2000: 88).

The ascendency of the Washington Consensus into dominant discourse could be linked with the steady rise of neo-liberalism at the centre stage from late 1970s through the 90s. Chomsky (1993) explained the resurgence of neo-liberalism in terms of the fall of Soviet Union that facilitated the indomitable hegemony of the United States, and later the long boom during the 1990s under the Clinton administration which he thought offered some degree of legitimacy to spreading neo-liberalism all over the world. Prior to that, the election of Mrs. Thatcher in the UK in 1979 and Ronald Regan in the USA in

1980 helped the initial rise of neo-liberalism (Palley, 2005: 24). By 1990s, neo-liberalism completely displaced Keynesianism and radically changed policy makers' views towards the state. The "invisible hand of market" as described by Adam Smith was freed from the clutch of the state, and state was finally castigated around the world for the alleged distorting affects on proper functioning of the market. This rise of neo-liberalism in the center could not have achieved dominance around the world without the help of the Bretton Woods Institutions, which assumed the responsibility of spreading the ideology through forcing the developing countries to follow the policies of the Washington Consensus (Onis & Senses, 2005: 264). The structural adjustment programs were designed to reflect the policies of the Washington Consensus that recently came under fire from different quarters.

The original 10-point Consensus articulated by Williamson (1990) in 1989 included fiscal discipline, public expenditure priorities, tax reform, interest rate adjustment, competitive exchange rates, trade liberalization, encouraging foreign direct investment, privatization of state owned enterprises, deregulation of economy, and enforcing property rights. Overall, the implementation of Washington Consensus brought mixed results in different parts of the world. In some countries, the skyrocketing inflation was brought under control, the volume of foreign direct investment rose, and economic growth gained steady rise in the 90s than the 80s when the transition was taking place (Margheritis & Pereira, 2007: 25).

The principal tenet of Washington Consensus is that once market forces are allowed to work without hindrance, it would benefit all the parties involved. The incidence of poverty, unemployment and economic crises are seen as the results of interventions in the operation of market by various actors including the state, organized labor unions, culture and history of a specific geographical location. The simple logic is that once the forces of market are unleashed, private entrepreneurs are allowed to do business freely, and foreign capital gain access to domestic market, these would create a win-win situation for everybody and would optimize the performance of economy and would create full employment for everybody thereby removing poverty (Shaikh, 2005:

41). Paul Krugman aptly termed this dogmatic belief as the "sacred tenet" of economic theory (Krugman, 1987:131).

These tenets of the Washington Consensus are derived from belief in modern neoclassical economic theory. At the microeconomic level, the neoclassical theory holds that state structures are inherently inefficient compared to the efficient nature of the market. Therefore, it is logical that the market addresses problems related with development and employment creation. At the macroeconomic level, the neoclassical theory likens global economy with capital mobility and unhindered growth of globalization. Therefore, domestic policies must conform to the short-term interests of the financial markets to attract both foreign and domestic investments. Finally, it holds that "correct" interest rates will strike balance-of-payments equilibrium, low inflation, sustainable investment, consumption, which will result in high growth rates in the long term (Saad-Filho, 2005: 113).

The intellectual dominance of Washington Consensus soon came under challenge in the early 1990s, as evidences suggested that liberalization did not result in sustained growth and superior economic performance in the Global South, and that the "free hand of market" abetted the accumulation of wealth by a handful number of people while leaving others in a condemnable state (Onis and Senses, 2005:265). It is now widely recognized that international financial markets are fraught with danger and instability, and growth originating from exports could very much result in deflation, and could undercut the economic performance of a country (Palley, 2005: 25).

Latin American governments, the front runners in structural adjustment programs, embraced the policies of Washington Consensus with much enthusiasm and optimism. The initial years of the implementation of the Washington Consensus policies helped the region with increasing influx of foreign capital resulting in comparatively lower inflation rate and a growing sign of economic recovery. There was widespread belief that the reform programs would turn Latin America into a prosperous region, and would brighten the economic performance of the countries erasing the unpleasant memories of the "lost decade" of 1980s. The Mexican Crisis of 1994 and the subsequent Argentine economic crisis, the poster child of the IMF-WB, wobbled the optimism and exposed the vulnerability of the fragile economic policies. Towards the end of 1990s, the common feeling towards adjustment was completely reversed in the region replacing the initial optimism and enthusiasm with bewilderment and pessimism (ECLAC, 2003: 18-9).

Even a document titled "The Long March", prepared for a Bank-sponsored conference on development in the Latin American countries held in Montevideo, concluded that the implementation of the Washington Consensus policies and the subsequent rise in capital inflows and export growth in the region failed to promote labor-intensive sectors. It also admitted that the impact of growth did not substantially improve the inequality scenario of the Latin American countries, and also failed to reduce poverty at a satisfactory rate (Burky & Perry, 1997: v). Unsurprisingly, the reason for this failure was not attributed to the implementation of reforms under policies outlined in the Washington Consensus.

The document claimed that the absence of (i) quality investment in human capital, (ii) an inefficient financial market, (iii) weak legal and regulatory environment, (iv) unaccountable public sector and poor governance, and (v) inflexible and weak fiscal structure were responsible for the failure of the Washington Consensus policies in bringing about positive change in poverty scenario of the Latin American countries (ibid: v-viii). These five policy measures, often described as "second-generation reforms agenda", were seen as crucial in achieving higher economic growth rate and reducing poverty in the region. The second generation reforms agenda or emphasis on institutional factors are what the Bank prefers to call "moving beyond the Washington Consensus".

In the 1990s, aggregate economic growth across the world was registered at 2.4%, lowest since the World War II (ibid: 28). Referring to the Human Development Report 1992, published by the United Nations Development Program, Budhoo (1994) reported that the inherent inequalities built into SAPs widened the gap between the rich and the poor segments in the Third World countries. Global data show that as of early

1990s, richest fifth of the Global North had been earning 150 times more than the poorest fifth (P: 22).

Even the Bank's own estimate suggests that the number of people living on less than one dollar a day remained nearly constant during the period spanning from 1987 to 1999. Meanwhile, the overall poverty rate showed some positive trend declining from 28.3 to 23.3 percent. But the claim of success becomes complicated once China is excluded from the picture. Poverty reduction rate excluding China slips from 28.5 percent to 25%, and indicates a worldwide increase of absolute number of poor people (Fischer, 2003:8). The fact that China never completely followed the path of the Washington Consensus, and opted for largely a statist model of development problematizes the "success" of Washington Consensus.

The East Asian crisis of 1997 finally sealed the fate of Washington Consensus as a credible policy option. The debacle of the East Asian miracle left the international financial institutions with no practical example as to demonstrate how the Washington Consensus could bring about positive change (an apparently false claim since the East Asian countries had their own development strategy quite different than the policies of the Washington Consensus). In chapter two I have discussed at length about the East Asian crisis, therefore without repeating the same arguments it would suffice to say that the event of some of the world's strongest economies especially Thailand, South Korea, Malaysia, and Indonesia being played at the hands of speculators taking advantage of open access to capital account undermined the credibility of the Washington Consensus.

Moreover, when the IMF in its attempt to help the ailing economies prescribed further intensification of the liberalization process and thereby exacerbated the crisis (Stiglitz, 2003:89), it virtually drove the last nail in the coffin of the Washington Consensus. The IMF and the Bank consequently suffered a serious legitimacy crisis, and were in no position to push the developing countries for adopting policies in line with the Washington Consensus. In view of this crisis it was imperative to initiate a damage control mission and convey a feeling that something new has been proposed replacing the old Consensus.

What is the Post-Washington Consensus?

In the context of this high profile failure of the Washington Consensus, Joseph Stiglitz courted the idea of Post-Washington Consensus. Referring to the recent change of stance by the Bank and the IMF putting poverty reduction at the center of their discourse, Stiglitz (2003) argued that the recent change should not be altogether discounted as merely a change of rhetoric. At least, he argued, that the Bank, though quite not the IMF is sincerely trying to put countries in the "driver's seat" in relation to formulation of domestic poverty reduction policies (P.215). Reiterating his faith in globalization, Stiglitz reminded that globalization did not necessarily mean a bad process given that it is "governed" properly. He however cautioned against "market fundamentalism", and argued in favor of increased role of government. The idea of Post-Washington Consensus as articulated by Stiglitz primarily rests on the bid to make markets competitive and to create strong institutions to offset the risks associated with liberalization.

Like any other idea, the Post-Washington Consensus also had a dialectic way of progression. The discourse on Post-Washington Consensus unsurprisingly accommodates different thoughts and at times even contradictory streams. Though, Stiglitz is credited as the central figure in expounding the Post-Washington school of thought, there are many others who equally contributed to the advancement of the idea. Dani Rodrik, Paul Krugman, Stanley Fischer, William Easterly and Ravi Kanbur can also be named as significant sources of contribution in popularizing the notion of emergence of the Post-Washington Consensus (Onis & Fikret, 2005: 274).

The emergence of Post-Washington Consensus has shifted the focus away from market fundamentalism to the implications of market failures, and institutional rebuilding. Development, in this approach, is less seen in terms of per capita GDP (Gross Domestic Product) or consumption levels, and places greater emphasis on issues like distribution of property rights, work patterns, urbanization, etc (Saad-Filho, 2005: 117). It calls for positive intervention of state to rectify uncompetitive market, creation of market friendly civil society institutions, and creation of an overall good policy environment (Pender, 2001: 408).

The Post-Washington Consensus acknowledges that social relations are at the core of development process. The proponents of this new approach hold that proper understanding of the realm of changing social relations requires a step beyond the confined world of macroeconomic indicators. This renewed emphasis on social relations arguably renders the new approach certain edge over the previous school of thought, which is seen as being too much rigid, narrow and monotonous by political economists (Saad-Filho, 2005: 117-8).

Ben Fine (1999) traced the root of the intellectual foundations of this new consensus to two divergent sources. First, the resurgence of Keynesian economics partly through the active campaigning by Stiglitz, which focuses on the "micro-foundations of macroeconomics", or more specifically market failures caused by distorted and often insufficient information (p.2). Secondly, Fine observed that the concept of "social capital", which he accuses of attempting to rewrite "social theory with some degree of economic content", helped the rise of the Post-Washington Consensus (p.10). He argued that the internalization of the concept of social capital into the Post-Washington Consensus provided the luxury to the Bank to broaden its agenda without having to discontinue most of its practices and prejudices (p.12).

Stiglitz's Notion of the Post-Washington Consensus

In his WIDER annual lecture in 1998, Joseph Stiglitz elaborated his notion of the Post-Washington Consensus, wherein he called for embracing a greater number of instruments than macro-economic stabilization, privatization and liberalization to achieve the goal of economic growth. Among these, financial regulation, competition policy, investments in human capital, and facilitating the transfer of technology to developing countries were identified as the main instruments to achieve the goal of macro-economic growth. Stiglitz claimed that in contrast to the erstwhile policies of the Washington Consensus, there should be greater importance placed on democratic reforms, sustainable and egalitarian development, and improving the health and education of the population.

Stiglitz did not outright discard the justification of policies implemented under the umbrella of the Washington Consensus arguing that the policies were relevant in the context of post-Soviet era where state monopolies in many countries stifled competition (1998: 10). Therefore, rapid privatization was justified on the ground to dismantle the monopoly of the state, and open up opportunities for private agents. He however disagreed with the subsequent extreme anti-state bias of the Washington Consensus policies, and to extend that dogma to the developing countries.

Responding to the debate on the state versus market, Stiglitz opined that the indiscriminate rejection of the state as an obstacle towards the functioning of market is a belief grounded on false premise. He is rather intent to treat the state not as an obstacle but an important agent that complements market, and has a greater role in responding to market failures and promoting social justice (Stiglitz, 2003: 218). However, Stiglitz does not want the government to lack focus, and get engaged in too many businesses beyond its capacity. He insisted that that the state should be focused on the fundamental issues like economic policies or health and education or maintain law and order, and leave the profit-making businesses to the purview of market (Stiglitz, 1998: 13). He however gives us no definite clue as to how the state which has been considerably weakened through the indiscriminate reform programs would regain its capacity to perform such a huge role.

The defining moment in Stiglitz's notion of the Post-Washington Consensus is promoting competition in the market. Stiglitz strongly felt that competition should be seen as central to the success of market economy, which has hitherto been ignored by the proponents of the Washington Consensus. He observed that the Washington Consensus, based on the theory of invisible hand of markets proposed by Adam Smith, is not applicable to developing economies. In Stiglitz's view Adam Smith based his theory of invisible hand of market assuming competitive equilibrium i.e. free and unfettered markets logically leading him to propose limited role for governments. The present day developing economies, Stiglitz argued are far from being perfect, and also lack a competitive environment. In such a different condition, the implementation of liberalization policies without satisfying the condition of creating competitive markets was as mindless as anything (2003:74).

Stiglitz's does not discard the importance of privatization. In fact, he supports privatization on the ground that it increases productive efficiency. However, he cautioned against the hasty privatization deals long been practiced by the Bank and the IMF. He argued that without ensuring proper institutional infrastructure, including competitive markets and regulatory bodies, privatization would fail to achieve its desired goals. Moreover, he emphasized the need to properly sequence the privatization moves since vested interest groups could be formed within the country in the process of privatization to "suppress competition or resist regulations to curb the abuse of monopoly powers" (Stiglitz, 1998: 12).

The Post-Washington Consensus as articulated by Stiglitz is an ambitious one which is not merely confined to the realm of economic policies but have far reaching implications for even political issues like democracy and governance. His insistence on improving governance as a broad policy agenda is consistent with the renewed emphasis on government's role in promoting competition. The economic outcomes of a certain country in his framework are not simply the result of sound economic policies but a complex mix of existence of effective institutions, state agencies and dedicated public officials. Moving away from the indifferent policies of the Bank and the IMF of reducing the size of the government, Stiglitz proposed granting incentives to state officials to engage them positively in state affairs while simultaneously restraining their arbitrary power and corruption through institutionalizing roles and norms. An independent judiciary; institutional checks and balances through the separation of powers; presence of watchdog bodies; an effective civil service; a properly functional democracy with a government having well established links with its people, and minimum scope for rent-seeking; all are integral parts of the Post-Washington Consensus policies (ibid: 15-6).

The Bretton Woods' Version of the Post-Washington Consensus

When the Bank and the IMF talk about moving beyond the Washington Consensus or the emergence of a new consensus, they actually refer to a subtle strategic shift rather than a change of goals or core contents of the erstwhile policy agenda. In the aftermath of the Mexican Peso crisis of 1994, the East Asian crisis, and other similar financial crises, the Bretton Woods Institutions shifted their focus on institutional reforms or governance in the developing countries, which they viewed as crucial to the achievement of macro-economic growth and successful liberalization of developing economies. Jayasuriya & Rosser (2001) noted that central to the new framework of the Bank's ideology lies the "notoriously undefined" concept of governance, which may encompass policy frameworks, and rules and institutions that regulate the conduct of private-public activity including an adequate legal system, systems of financial and corporate accountability, judicial independence, and transparent regulatory structures (p. 388).

Burki & Perry (1998), in a book entitled *Beyond the Washington Consensus Institutions Matters* published by the Bank, pointed out that the logic of institutional reforms within the Bank emerged from the belief that sound financial and corporate-governance institutions are essential in promoting international capital flows in a world of so-called greater financial integration (p. 3). The authors also noted that the East Asian crisis had already taught the tough lesson that structural reforms without the concomitant set of institutions are prone to falter generating a sense of urgency among the Bank officials to emphasize institutional reforms.

There is an understanding among the Bank establishments that the so-called integrated economies could be at greater risk of suffering from "investors' sentiment" paving the way for financial and currency crises. In case such an incident occurs, the understanding is that this would render the private agents to so much vulnerability that corrective measures like devaluation of currencies or interest rate hike could end up having devastating effects on the real economy. Since, macro-economic policies are unable to arrest such ominous developments; the Bank upholds the importance of good institutions to guard against such unwarranted situations (Burki & Perry, 1998: 3).

While, the previous consensus was narrow in the sense that it was primarily focused on economic factors; the new thinking places equal importance on non-economic factors. Democratic reforms alongside decentralization and the devolution of governmental responsibilities to local units are seen crucial to the success of developing economies under the new consensus. It places importance on skillful political entrepreneurship and maneuvering to ward off the possibility of "vested interest groups" who might act against the reforms agenda anticipating potential loss of interests. The success of Post-Washington Consensus policies also hinges on the mobilization of potential "winners" around the policy agenda through a carefully crafted public information campaign using mass media and civil society. In line with Stiglitz, the Bank recognizes the importance of sequencing of policies since some policies might be inappropriate at certain times (ibid: 4-5).

Learning from their previous mistakes, the Bretton Woods thinkers this time rightly understood that economic reforms face the risk of being challenged by domestic quarters which is exactly why the new consensus emphasizes so much on build alliances. Who else could serve the purpose better than the hand picked members of civil society? Jayasuriya & Rosser (2001) correctly noted that this particular brand of civil society is not an autonomous sphere of social activity but an artificially manufactured sphere in favor of economic reforms proposed by the Bank and the IMF. The authors defined this new form of civil society as the "arena composed of those groups, norms and institutions that lie between the market and the state" (p. 391). The authors argued that the existence of such a radically different civil society allows the Bretton Woods the luxury to replace the technocratic decision-making process with a "participatory" process, limiting the possibility of facing serious opposition in their implementation of the reforms agenda.

Perhaps, the defining feature of Post-Washington Consensus policies is to highlight poverty as its central concern. The adoption of non-economic objectives in the Comprehensive Development Framework and subsequently in PRSPs is a reflection of this change of direction. While, the Washington Consensus policies used to describe poverty in terms of economic factors like economic growth, the present approach seems to have taken a more holistic stance by defining poverty in terms of nutritional status, educational attainment, and health status. This human poverty approach is heavily influenced by the "capabilities approach" of Amartya Sen (Pender, 2001: 405-6). This definitional change however is not supported by a corresponding change in Bank's outlook towards explaining the causes of poverty. It falls short of addressing the structural factors or the inherent nature of capitalism to create unequal power relations that cause poverty. In the end, the strategy remains to shift the blame of poverty on to the individual and to some extent on the lack of domestic resources.

The Post-Washington Consensus admits that structural reforms often result in harsh consequences for the poor people. Therefore, it proposes the construction of social safety nets to partially mitigate the impacts of economic reforms. As Jayasuriya & Rosser noted, the social safety nets are believed to create social cohesion, an essential factor in sustaining structural economic reforms. As part of the safety net programs, governments are permitted to continue partially subsidizing certain sectors, which was strictly prohibited under the erstwhile consensus (2001: 392). Ironically, the provision of social safety nets reminds us that the promise of pro-poor economic growth is purely rhetoric. If pro-poor growth really benefited the poor people why would one need special protections in the form of safety nets? Despite this glaring contradiction, the proponents of the Post-Washington Consensus shy away from denouncing growth theory as anti-poor revealing their true allegiance to the owners of capital.

Conclusion

It is evident from the literature on the Post-Washington Consensus that financial crises are often blamed on the immaturity of domestic economic spheres of the developing countries, a reason why the new consensus comes up with a list of institutional reforms programs. It pretends to be oblivious of the fact that more often than not the financial crises are caused by speculative businesses of the international capital owners, and the corporate houses of the West. By now it is known to all that the East Asian crisis was caused by wild speculation of short term capital owners from the West. The tendency to detect the origin of financial crises in the domestic market of the developing economies is a warped attempt to save the skin of real perpetrators of financial crises (Onis & Senses, 2005: 278). Armijo (2001) correctly pointed out that these new reform proposals are nothing but an indirect attempt to lower the risk of rich country financial institutions' investments in developing economies (p. 390).

While, the Post-Washington Consensus places greater importance on democratization of domestic political sphere, it is silent on the issue of democratization of international regulatory agencies like the Bank, the IMF, the WTO or other international bodies trusted with the job of overseeing international flow of capital. Onis and Senses (2005) rightly pointed out that the hierarchic power relations at the international sphere dominated by self-interest of corporate powers and the developed countries stifle the demand for a democratic international economic environment essential to the needs of the developing countries. This uneven power relation puts the developing countries at a disadvantageous position vis-à-vis the trans-national corporation's tendency to overflow developing countries with short-term capital and thereby fuelling instability (p. 279).

The PRSPs set the benchmark of this new thinking. A close scrutiny of the PRSPs reveal that under the cover of boasting statements, the Bretton Woods Institutions have actually pushed the borrower countries into difficult terrain, where they are simultaneously asked to reduce poverty within the framework of structural reforms, liberalization, and a tight macro-economic policy, at the same time forcing them to own the prescribed policies. This is what Gore (2004) labeled as a double bind situation, where the conditionality of "sound policy reforms" overrides the possibility of a national policy suitable to local contexts (p. 281).

Back in September 2001, the IMF published a compilation of comments made by various organizations and reputed individuals, and academicians on the IMF conditionality in lending. Nancy Alexander (2001) in her comments aptly summarized the feeling of many citizens' groups that it was duplicitous for governments to invite public participation for the formulation of the PRSPs when many of the policies are finalized a priori through Poverty Reduction Growth Facility negotiations with the IMF. She noted that such a secret process of finalizing policies through the back door undermines any meaningful participation and would alienate domestic actors from the whole process (p. 147).

Walden Bello (2007) is right when he claims that the core issues of the PRSP scheme are drawn from structural adjustment programs including "'macroeconomic fundamentals' of trade liberalization, deregulation, privatization, and commercialization of land and resources". He dismissed the significance of the participatory processes or consultations - preconditions of the PRSP process - for sidestepping broad-based social movements, and purposefully confining the process with only liberal non-governmental organizations. He boldly stated that the PRSPs are nothing more than "second generation structural adjustment programs that seek to soften the negative impact of reforms".

Rodrigo Rato, the Managing Director of the IMF, in a speech revealed the true purpose of new set of reforms pointing out that

> "… the gains from economic growth, and more generally from changes associated with globalization, have been distributed quite unequally. These developments are leading people around the world to question the benefits of globalization. Some are tempted to yield to protectionist pressures and to give up on orthodox economic policies and structural reforms. I think it is important to *resist both of these temptations* [emphasis added]… we also need to make sure that the fruits of growth are widely shared and the poorest people are protected from the *costs of adjustment* [emphasis added]" (2007).

The Post-Washington Consensus appears to have recognized the short-comings of structural adjustment programs. It gives the impression of doing business differently than the now discarded policies of the Washington Consensus. However, as we have discussed, it remains highly contentious as to how much of this new consensus is radically different than the erstwhile consensus. There seems to have little difference between the goals of the previous and the new consensus, which Perraton suggested as not so significant and "less than the rhetoric suggests" (Quoted in Sumner, 2006: 1404).

As is evident, the new consensus did not completely discard the goals of macro-economic growth and stabilization programs, financial liberalization and privatization. In fact, the new consensus could be seen as a conscious attempt to open up the domestic political sphere of the borrower countries to the owners of capital in the guise of democratic reforms, improving governance, and creation of civil society (subservient to the needs of Washington). Previously, the domestic political arena of the borrower countries was left untouched as long as the governments agreed to implement the reforms agenda, but the "new" consensus is one step ahead of the old consensus through aggressively pushing forward the agenda that domestic reforms are necessary for successful implementation of the reforms programs.

From the above discussions we can conclude that there has been an apparent realization among the Bretton Woods establishment about the negative aspects of the erstwhile policies of structural reforms. This realization in turn enforced the Bretton Woods thinkers to revise their outlook towards how to deal with developing economies. These changes, reflected in the PRSPs, certainly have some positive aspects compared to the previous approach which supplied the underlying ideological framework for SAPs. But one must not make the mistake of treating this change as a paradigmatic shift in thinking of the Bretton Woods Institutions. The "new" consensus or the Post-Washington Consensus represents considerable revisions of the *process* of how to implement the reforms agenda. The core issues of the "new" consensus or the contents of policy prescriptions are by all means similar to the previous consensus, which holds a firm belief in trickle down theory that is economic growth will benefit poor people. The new approach offers a different path to achieve almost the same goal, a path which is more strategic and pragmatic, and able to buy people into the policy agenda.

Chapter Four

The Bangladesh PRSP: Who Calls the Shots?

The road to formulation of a PRSP in Bangladesh as dictated by the donor agencies, specifically the World Bank and the IMF, started in the year 2000. By March 2003, Bangladesh produced an Interim PRSP (I-PRSP) entitled *Bangladesh: A National Strategy for Economic Growth, Poverty Reduction and Social Development* as the HIPC countries are required to produce an interim PRSP until they formulate a full-fledged PRSP. The World Bank and the IMF conducted a joint assessment of the Bangladesh I-PRSP, which was completed by May 2003, and was formally presented before the Boards of Directors of the World Bank and the IMF on June 17, 2003 for approval. By 2005 Bangladesh made a successful transition from the interim PRSP to a full-fledged PRSP entitled *Unlocking the Potential: National Strategy for Accelerated Poverty Reduction.* This policy document outlines Bangladesh's comprehensive strategy for fighting poverty for a period of three years. Presently, Bangladesh is in the process of formulating a second successive PRSP, as the tenure of the first PRSP will expire by the end of June 2008.

While most of the debates surrounding the Bangladesh PRSP are ideologically biased, it is possible to make an objective review or assessment of the performance of the much-hyped policy document. We must admit that poverty reduction itself is a mammoth task for any policy, and for that reason we should guard against being over enthusiastic of the outcomes of the Bangladesh PRSP. However, we must also keep in mind that any policy document sets for itself some incremental targets for the purpose of evaluation, and success is measured against this declared roadmap. Accordingly, I examine here the promises that the Bangladesh PRSP wished to fulfill against what it has actually been able to deliver. I also intend to critically but objectively analyze the process of formulation as well as the content of the PRSP produced by the Government of Bangladesh. In addition, I present relevant data and facts that would give us a better idea about the progress being made in the past few years since the inception of the Poverty Reduction Strategy in Bangladesh. As I discussed in chapter one, the Bangladesh case study is intended to corroborate my argument that the idea of the PRSPs did not emerge from the people of the developing countries but was introduced by the Bretton Woods Institutions in their quest for regaining legitimacy.

Some Facts about Bangladesh:

Bangladesh achieved Independence in 1971 after a nine-month long battle against the Pakistan army, which saw three million Bangladeshis dead. The country is one of the largest deltas in the world with a meager land area of 147,570 square kilometer being surrounded by India from three sides along with Myanmar on the southeast side. The total population of the country estimated by the Bangladesh Bureau of Statistics is 140 million making it the most densely populated country in the world. It is projected that by the year 2011 the total population of the country could reach 153 million (BBS, 2006). The population of the country has doubled since independence but on the economic front Bangladesh still remains in tatters. Bangladesh has showed a consistent economic growth rate over the past decade, which fluctuates from 5 to 6 percentage points annually. The per capita income of the country was estimated at USD 476 in 2006. The economy is predominantly agriculture-based with 75% of the total people living in rural areas or villages, and the contribution of agriculture to GDP was 19.61% in 2006 (ibid). After the 1990s, the country has undergone substantial structural transformations owing to the prescriptions and guidance of the Bank and the IMF. The industrial production growth of Bangladesh recently registered an average of 6%. Ready-made garments and knit wears constitute the main export sector of the country (www.bangladesh-bank.org). Yet, Bangladesh is one of the poorest countries in the world, which was once famously dubbed the 'bottomless basket' by the then US Secretary of State Henry Kissinger.

Formulation of the I-PRSP: A Review of the Process

The need to produce a PRSP that would streamline the sporadic poverty reduction strategies into one single document was not a spontaneous choice by the Bangladesh government or policy makers as such. Rather, it all started when the Bank and the IMF decided in September 1999 that all the Highly Indebted Poor Countries should produce their own poverty reduction strategies in order to be eligible for concessional assistance.

In keeping with this condition, a meeting was held in November 16, 2000 chaired by the then Finance Minister of Bangladesh, which decided to form an eleven-member Task Force headed by the Secretary, Economic Relations Division (ERD) that included the Principal Secretary to the Prime Minister, and ten other Secretaries of the government to oversee the formulation of the I-PRSP. The Task Force straightaway realized that the government had neither the resources nor the capacity or expertise to produce a policy document of that scale. Therefore it decided to hire private consultants for the preparation of the I-PRSP (CPD, 2004:42).

As we have already discussed in the previous chapters, the agenda behind the PRSPs stretch beyond the declared goal of poverty reduction, a deliberate attempt to render legitimacy to the shattered image of the Bretton Woods Institutions through engaging civil societies and other like minded organizations in the name of participatory collaboration, the Bangladesh government was also induced to initiate a series of consultations with civil society organizations.

In January 2002, the government kick started a spate of consultation meetings at the national level as the first step towards forming consensus around the notion of PRSP. As part of the process, a total of 22 participatory meetings were organized in collaboration with BRAC, the largest NGO in the country. The participants of these consultations included government officials, international donors, members of civil society organizations, and NGOs (ibid: 43).

Arguably, since the PRSP is the single most important document envisioning a comprehensive strategy to reduce poverty replacing the traditional practice of five-year plans, it was expected that the process be fair, sincere, in-depth and inclusive. Instead, the government opted for token discussions with real stake-holders, e.g. the poor people. The consultation process was hasty and lackluster that undermined the possibility of any meaningful participation, which in turn failed to churn out effective ideas and proper analysis of the poverty situation in Bangladesh.

The participatory process involved twelve pre-draft I-PRSP consultation meetings at the regional level. Usually, two consultation meetings took place in a day, first with local poor people in the morning session, followed by a meeting with civil society members in the afternoon. A study conducted by the Center for Policy Dialogue (2004) revealed:

> A total of 153 poor men and women participated in 6 Upazila [sub-district] level consultation meetings with the poor….In the workshop with the urban poor, the total number of participants was 29. At the national level consultation meetings with the government officials, 53 government officials including a large number of senior officials participated. The meeting with the NGO [non-government organization] representatives and the civil society was attended by 33 participants. Civil society participants included NGO representatives, lawyers, media, religious leaders (*imam*), schoolteachers, local traders, Union Council Chairman/ Members and political activists. No special meeting was held with the Members of the Parliament (MPs) or with the trade bodies [trade unions], but some MPs and business leaders participated in some of the consultation meetings (P: 43-4).

The statistics presented above clearly indicate that apart from the donor-funded NGO personnel the number of poor people or poverty activists was very low considering the huge number, 65 million, of poor people living in the country. Moreover, the average time spent in these consultation meetings could hardly be enough to generate effective ideas to reduce poverty or even to grasp an in-depth notion of their poverty situation.

In order for a poverty reduction policy to attain its desired goals in Bangladesh, it is imperative that the policy thoroughly addresses the dynamics of the problems, complexities and short-comings of a rural economy, demand and supply of materials for agricultural development, issue of land redistribution, financial constraints during peak cultivating seasons, problems of landless day laborers etc. This would normally require a considerable amount of time and consultation with the grassroots level stakeholders. By all means, it is too big a task to be completed in one or two brief encounters with the rural poor.

The government nevertheless takes enormous pride in its 'successful' completion of the I-PRSP, which it champions as a turning point in the history of the country. It exuded high confidence that the, "I-PRSP highlighted the country's silent ascent on the global map of development as a land of hope and performance rather than of disaster and disarray" (Bangladesh, 2005:5). Notwithstanding such robust claims, the government later admitted the lack of consultations during the I-PRSP preparation period resulting in a number of loopholes. Rhetoric aside, the government failed to present any concrete assessment or convincing statistics backing the claim of positive outcomes of the I-PRSP.

As per the provisions outlined by the WB and IMF, the PRSPs need to be endorsed by the Board of Directors of the Bank and the Fund. Accordingly, the Bangladesh PRSP was also placed before the Board for endorsement. The Board endorsed the I-PRSP claiming that the document laid the ground for a cohesive policy framework for implementing a *pro-poor growth strategy* and a sound basis for the preparation of a fully participatory PRSP. It maintained that the PRSP document was truly owned by the people of Bangladesh (IMF, 2004).

The Joint Staff Assessment[xiii] (JSA) of the I-PRSP led by the Bank and IMF staff however reminded the government of the need to further *accelerate the pace of structural reforms*. The JSA suggested that the slow implementation of the *structural reforms* in the mid-1990s constrained the effectiveness of the policy environment. It also suggested expediting the reforms programs particularly in the field of governance, state-owned enterprises, financial sectors, and infrastructure for accelerated economic growth and poverty reduction. The JSA advised the authorities to 'address the financial issues more fully, and to set up medium-term plans for the financial sector and trade policy reforms', which should become an 'integral part of the overall strategy for poverty reduction and growth'. Most importantly, the JSA emphasized that the government builds greater consensus around the policy so that the civil society and the line agencies of the government 'buy in' to the doctrine (ibid).

Rebellion of Civil Society Leaders

The recognition awarded by the Bank and the Fund to the government for its achievement in formulating the I-PRSP mattered little to the prominent leaders of civil society organizations in Bangladesh who were visibly irritated at their level of involvement with the process of preparing the I-PRSP. There was an outcry among these influential leaders accusing the government of sidestepping them during the designing stage, and only allowing them to be involved at the later stage of the formulation process. They also lambasted the government for not incorporating their recommendations in the final version of the I-PRSP (CPD, 2004: 45-6).

Being aware of the conditionality imposed by the Bank and the Fund to involve civil societies with the formulation procedure to buy them into the process, these leaders decided to flex their muscles and exerted pressure on the government so as to pave the way for greater involvement.

As part of a coordinated campaign, various civil society organizations, NGO personnel, intellectuals, professionals, journalists, and some politicians organized themselves under the banner of a National Policy Review Forum led by the Centre for Policy Dialogue (CPD), a civil society think-tank. In addition, several NGOs decided to seize the momentum and organized a number of workshops, seminars and dialogues to mount pressure on the government. The CPD compiled a summary of suggestions, comments and recommendations put forward by civil society members, independent groups and individuals about the draft I-PRSP. It also presented a list of policy recommendations, which the government later incorporated in the I-PRSP, albeit only partially.

In the face of this coordinated attack, the government acquiesced and admitted that the I-PRSP had been prepared under the constraints of limited opportunities for consultation and thematic review, and a number of gaps were identified during the post-document reviews (Bangladesh, 2005:6).

The government continued to enjoy full backing from the WB-IMF despite its self-admitted failure to appropriately mobilize public opinion and civil society around the process during the formulation of the PRSP. This indiscriminant attitude of the Bank and the Fund towards consultation pinpoints their apparent reluctance to weigh much importance to the process of proper consultation, so long as it satisfies the goal of buying people into the idea of PRSP. The principal objective was simply to uphold the image that the PRSP was the product of the people, and the WB-IMF merely assisted the government.

A Task Force report of the National Policy Review Forum chaired by Dr. Muhammad Yunus, the 2006 Nobel laureate in Peace, pointed out that the macro-economic policy agenda of the Bank and the Fund, a longstanding characteristic of Structural Adjustment Reforms (SAR), lied at the heart of the Bangladesh I-PRSP. The report accused the Bank for failing to establish any causal linkage between structural reforms based on growth oriented strategy and the goal of poverty reduction (NPRF, 2003:3).

Transition to the PRSP

In 2005, Bangladesh graduated from an interim to a full-fledged PRSP that saw another round of consultations; this time a bit better organized and detailed. Public opinion was sought at national as well as regional level through a series of participatory engagements. The national level pre-PRSP consultation meetings enjoyed greater importance than the regional level consultations.

At the national level consultations, discussion was divided into two parts: general discussion on poverty, its causes, nature and depth and the possible actions for achieving pro-poor growth. The second part of the discussion was concerned with elaborating on a specific topic previously assigned to the particular group. Ironically, though the participants were asked to spend time on digging out the causes of poverty, the solution was already given to them: accelerating economic growth. The participants had no mandate to work out any alternative strategy on their own to fight poverty other than the one already suggested by the government policymakers: how to boost growth.

The regional level meetings, held at the six divisional headquarters, could at best be described as ceremonial. The total number of participants in each regional level meeting was around 200. The participants in these consultations were practically allowed to discuss anything and everything but making policy recommendations. These meetings were structured around three segments: (i) general discussion on poverty (ii) detailed discussion on designated topics, and (iii) free discussions. The participants were supplied with specific guidelines prior to the meetings, which had been previously approved by the National Steering Committee formed by the Government (Bangladesh, 2005: 25-6).

Instead of following a bottom-up approach allowing the participants to determine themselves the course and content of the consultations; these regional level meetings were designed by the government officials ensuring that the outcomes of the participatory consultations are consistent with the government policies.

Another feature of these consultation meetings that defy the spirit of participatory process was that these were highly structured, and the role of the moderators was specified by the government officials. Moreover, officers from National Poverty Focal Point (NPFP)[xiv] were ordered to be present at the meetings apparently to ensure that the discussions did not 'derail' and follows the instruction set out by the NPFP. The government officers thus remained present throughout the meetings but abstained from actively participating in any of the consultations. This undermined the commitment and trust on the process through generating an eerie atmosphere of control and surveillance.

Generally, in countries like Bangladesh, people feel uncomfortable and skeptical in front of government officials, and their presence often forecloses the possibility of spontaneous exchange of views due to the colonial legacy of all too powerful repressive bureaucracy.

The selection of the participants was at the discretion of local government officials, thus these meetings finally ended up being an affair of chosen group of participants who were on the good books of the local administration. Members of civil society organizations and donor-driven NGO personnel heavily dominated the makeup of the participants who together accounted for 22% of the total invitees. On the other hand, organizations of poor, the real stake-holders and target group of the PRSP made up only 6.2% of the regional participants. Labor unions, another crucial stake-holder of the process, fared even worse, and accounted for a meager 2.6% of the total participants (Bangladesh, 2005:27).

Evidently, the unwarranted bureaucratic structure and process of organizing the meetings, lack of flexibility and inclusiveness, absence of openness, tendency to manipulate the opinion of the participants, and a top-down approach nipped in the bud the possibility of these truly being democratic processes of policy formulation.

The most important elements in the consultation process were the thematic groups formed by the National Steering Committee. A total of twelve thematic groups were formed under the leadership of different Ministries and Divisions entrusted to draw policy recommendations for major "cross-cutting issues, macro-economic and real sector issues and a number of special topics which have direct bearings on poverty alleviation including those areas mentioned in the Joint Staff Assessment Report of the Bank and the Fund" (Bangladesh, 2005: 34).

The thematic group reports recommended that pro-poor growth, macro-economic stability, trade liberalization, privatization and export promotion were necessary for poverty reduction. They however failed to back their suggestion of how these neo-liberal prescriptions would eventually benefit the poor people, and to what extent these reform programs were successful in the past decades or so in reducing poverty (Bhattacharya 2005; CPD, 2004: 55). It is noteworthy to mention here that the groups were mainly comprised of people coming from the government, private sector, civil society and donor-driven NGOs.

Evidently, the thematic group members were purposefully drawn from such segments of the society who are educated in Western institutions, and are heavily biased towards the neo-liberal economic agenda of the Bank and the IMF. Since these elite people represent only a minority of the community, the recommendations of the thematic groups can hardly be considered representative of the views of the common people of Bangladesh.

The final round of consultation on the draft PRSP was held mainly with government officials, NGO personnel, media personalities, professionals, and donor agencies e.g. Local Consultative Group (LCG). The government held two rounds of consultation with the LCG, an assembly of 32 Bangladesh based representatives of bilateral and multilateral donors including the World Bank, who actively participated in the formulation process and provided extensive comments and recommendations.

At this stage, the government did not feel the necessity to listen to what the poor people thought about the draft PRSP: whether it accurately reflected their problems and suggestions, and whether they would like to see any amendments. Copies of the draft PRSP were also distributed among the Members of the Parliament (MPs) for their perusal. The MPs were visibly unhappy over the bureaucracy for lack of opportunities offered to them for consultation, and ignoring them during the preparation process (Bangladesh, 2005: 42), considering that the country has a somewhat active parliamentary form of democracy and that they are the legal representatives to chalk out policies for the welfare of the nation.

Notwithstanding the candidness of the government about the PRSP, Moyeen Khan, the Science and Information Communication Technology Minister of then ruling government that produced the document, threw away the PRSP terming it a worthless document at a seminar jointly organized by the Economic Research Group and the Commonwealth Secretariat entitled 'Monitoring Donor Support to Bangladesh's Poverty Reduction Strategy: Rethinking the Rules of Engagement' at Dhaka in August 05, 2006. The Minister roundly criticized the PRSP saying, "[t]here is no focus on the use of technology or exercising local knowledge in the 300-page PRSP book. It is worthless and carries no importance to me" (UnnayanNews, 2006). The seminar was attended by the World Bank Country Director Christine I Wallich, economist Hossain Zillur Rahman, one of the authors of Bangladesh PRSP, and Hua Du, the Country Director of the Asian Development Bank (ADB). Besides rejecting the relevance of the strategy paper in the country's context, the Minister also questioned the purpose of the document saying, "[t]he PRSP has been formulated in keeping with the interest of the donors, not suiting people's needs" (ibid). Though the Minister's statement didn't quite reflect the government's stance on the PRSP, it however highlighted the dissent within the cabinet and the MPs against the imposed policy document.

A policy can be termed nationally owned once it has duly been debated at the open floor by the elected representatives of the people and has been approved by them. The PRSP - formulated by the bureaucracy and orchestrated by the donor agencies reflecting their views and ethos, which was neither debated in Parliament nor called for by the people of the country - seriously fails to qualify to be regarded as nationally owned. This was at best a document half-heartedly endorsed by the civil society and the like minded group of people who have little responsibility or commitment towards welfare of the common people of Bangladesh. As we have seen, participation in this case was mere eye-wash, lacking any serious commitment and openness to listen to the real problems and recommendations of poor people. Civil society members were pampered for obvious reasons, while the bureaucrats remained the most influential group in formulating the PRSP. From behind the curtain, the process was strictly monitored by donor agencies to ensure that the policy recommendations stayed in line with the stated goals of the Bank-Fund and other proponents of neo-liberalism.

A Sample of Participatory Consultation: Issues Raised by Indigenous Communities

Though the indigenous communities (tribal people) comprise only 1% of the total population, the rate of poverty is above the national average among them. Most of the indigenous communities live in the hilly regions of the country in the north and south east that are often inaccessible and remote. The repeated refusals to accept the independent identity of the indigenous communities, and persistent neglect by consecutive governments led to an armed rebellion by some of the indigenous groups in the Chittagong Hill Tracts region against the Bangladesh government in the late 70s. After two decades of bloodshed, a peace deal was struck between the government and the rebellious indigenous leaders to end the armed campaign. The Chittagong Hill Tracts region is one of the most natural resource rich areas of the country believed to possess huge reserves of natural gas drawing attention of the donor countries into the region. Despite concerted efforts by the donor agencies and the government to bring these indigenous communities to the mainstream Bengali society to facilitate the extraction of natural gas, the fate of these people has remained unchanged.

On 28 April, 2005, the government held a consultation meeting with renowned indigenous leaders and representatives in the capital city as part of the string of meetings it held with different groups. A total of 36 indigenous leaders participated in the meeting organized by the General Economic Division of the Planning Commission (ABD, 2005). The Asian Development Bank compiled the issues discussed and recommendations made in the meeting and posted those on its website.

The indigenous leaders while appreciated the move to involve them with the process of PRSP formulation, were reportedly dismayed at the content of the draft PRSP for being insensitive to their problems. They strongly opposed the PRSP for identifying them as "tribal" people instead of recognizing them as "indigenous communities". They argued that the PRSP failed to rise above the defamatory tradition and practice of denying independent entity of indigenous people (ibid, p. 1).

The rather passive style of the draft PRSP in relation to indigenous communities drew flak from the participants. The leaders suggested for more pro-active and affirmative actions and language to alter the current abysmal state of their communities. They demanded direct participation and proper representation at the decision-making level as well as during formulation of policies. They emphasized the need to think beyond the PRSP, and opined that participation should not be confined to only formulation of the PRSP but should also incorporate membership at various institutions that directly impact upon the lives of indigenous people. The participants argued that a truly 'bottom-up' approach meant that the grassroots communities be empowered and trusted with the job of undertaking their own development initiatives rather than having policies imposed from above (ibid, p.1-2).

They suggested that the government agencies' and the line ministries' role in promoting ownership should be more of 'support services' rather than of 'authority'. To reduce poverty among the indigenous communities, the participants lobbied for greater access to modern information technology, along with an unhindered right to control over local resources – natural, public or otherwise, which they termed "absolutely crucial" for the survival and livelihood of the indigenous communities. They strongly urged the government to examine the possibility of setting up a Land Commission for the purpose of redistribution of lands among indigenous communities (ibid, p.3-4).

From the issues discussed and recommendations made in the consultation meeting with indigenous leaders, we can see that they were mostly concerned about the issues that directly affect their livelihoods. Importantly, none of the indigenous representatives raised the issue of macro-economic reforms, privatization, and liberalization as their main concerns. While the indigenous participants echoed the views of mainstream Bengali community by urging the government to set up a Land Commission to redistribute lands among the landless people, the government firmly rejected the plea terming it an "impractical thought and complex issue".

The indigenous leaders correctly observed that participation and ownership means a continuous process of involvement at the decision-making as well as implementation levels, contrary to the belief held by the Bank and the Fund which define ownership as a discrete event achieved through ceremonial dialogues without thoroughly engaging the community. Evidently, people are far more concerned about their identity, and creation of opportunities to improve their lifestyles than beefing up foreign reserves and opening up the national market to multinational enterprises.

The NPRF report pointed out, "It does not indicate why or how the touchstones of the SAR process: import liberalization, de-subsidization, privatization or financial sector liberalization will, in practice, contribute to reducing poverty" (p.4). It added that the public consultations, during formulation of the I-PRSP, neither asked for nor endorsed the macro-economic policy framework adopted by the government as its principal strategy for fighting poverty. The report therefore questioned how the PRSP could claim to be consistent with the concerns of the citizens of Bangladesh. The Task Force report also cast doubt on the claim of national ownership of the document since it hardly reflects the views of the majority people of Bangladesh.

Apparently, the content of the participatory discussion with the indigenous community and the subsequent observations of the NPRF indicate that the policies drawn up in the PRSP, which see macro-economic stability, privatization, and liberalization as the solution towards poverty reduction, are not what was recommended for by the people. Throughout the PRSP there is no evidence that any of the underprivileged stakeholders suggested these neo-liberal measures as solutions to their problems. We can therefore rightly question the source of these policies. And if the policy suggestions came from third parties e.g. the Bank and the IMF, we can legitimately conclude that the condition of ownership was violated.

The Source of the Macro-Economic Recommendations: The True Owner?

The source of the macro-economic policy decisions in the Bangladesh PRSP can be traced back to a document titled Country Strategy and Program prepared by the Asian Development Bank (ADB) that envisions the policy directives for the Government of Bangladesh. The Country Strategy and Program is part of a combined strategy of the World Bank, ADB, DFID of the United Kingdom, and the Government of Japan. Together these four donor organizations account for nearly 80% of the total foreign aid received by Bangladesh. The Country Strategy coordinates the views of the above mentioned donor agencies, and any assistance or lending to Bangladesh Government depends on successful adherence to the policy directive of the Country Strategy and Program (ABD, 2005: ii).

The Country Strategy praised the Bangladesh government for its 'impressive' success in achieving economic and social development goals, and for consistent rate of poverty reduction. It however admitted that despite impressive rate of poverty reduction in Bangladesh the "absolute number of poor people remained virtually unchanged at around 63 million in 2000" (ibid, p. 4).

The four donor agencies undertook an assessment of the poverty reduction strategy of Bangladesh, and expressed satisfaction that it contained the ingredients of a sound poverty reduction strategy. The Country Strategy credited the government with an "excellent analysis of the magnitude and causes of poverty", and for correctly stressing "the link between investment, growth, job creation and poverty reduction". However, it maintained that achieving the projected increase in investment outlined in the PRSP "will require a significant acceleration in the pace of *structural reforms* [emphasis added]. . ." (ibid, p. 10).

The strategy recommended by the ADB in this regard is to accelerate the medium-term economic growth to 7-8% per annum if the Bangladesh government wished to reach the Millennium Development Goals' income poverty targets. And in doing so the government would be required to increase *private investment, agricultural diversification and increased agribusiness activity* ... maintain *a stable macro economy; stronger institutions; robust government, private sector, NGO partnerships;* and a gender sensitive policy framework and budgetary process that will underpin *higher "pro-poor growth*" (p.13).

A Reality Check: Five Years of PRS Regime

The PRSP is the most comprehensive document that the Bangladesh government has ever produced to reduce poverty. It provides us with a detailed description of how the government plans to combine sporadic policies to relate with poverty reduction, which is a laudable success considering the rather lackadaisical nature of the government to integrate policies. Having said, the Bangladesh PRSP lacks focus; it is comprehensive but vague. It talks about anything and everything. It does not define poverty specifically and comes up with a long drawn wish list that the government proposes to implement without specifying how it plans to carry out such a massive task. It is ambitious as well as impractical.

The 2005 PRSP defined poverty as, "a broad front. It is about income level. It is about food security. It is about quality of life. It is about asset bases. It is about human resource capacities. It is about vulnerabilities and coping. It is about gender inequalities. It is about human security. It is about initiative horizons [entrepreneurship]. It is each of these and all of these together (Bangladesh 2005: xii)". At first glance this portrayal of poverty looks neat from an academic point of view, but for a policy document such a definition is untenable. A definition like this makes any realistic and implementable policy impossible.

However, since the definition incorporates almost everything one could imagine as a characteristic of poverty, it would be logical to ask why landlessness was omitted from the list. Since there is strong evidence that the incidence of poverty and landlessness are strongly associated in Bangladesh, one must wonder what the compelling need was that the government decided not to talk about land redistribution among poor people. The table below provides data collected by the Bangladesh Bureau of Statistics through the Household Income and Expenditure Survey (HIES) 2000 and 2005 indicating association between land ownership and economic conditions over time:

Table: 4.1

Association between Incidence of Poverty and Land Ownership

(Percentile Change in Five Years)

Land Ownership in Acre	Incidence of Poverty (CBN Method)						**Percentile Change**
	HIES 2000			HIES 2005			
	Rural	Urban	**Total**	Rural	Urban	**Total**	**Total**
Landless	69.7	36.6	**46.6**	66.6	40.1	**46.3**	**0.3**
Less than 0.05	63.0	38.3	**57.9**	65.7	39.7	**56.4**	**1.5**
0.05-0.49	59.3	27.3	**57.1**	50.7	25.7	**44.9**	**12.2**
0.50-1.49	47.5	27.4	**46.2**	37.1	17.4	**34.3**	**11.9**
1.50-2.49	35.4	10.2	**34.3**	25.6	8.8	**22.9**	**11.4**
2.50-7.49	22.8	9.1	**21.9**	17.4	4.2	**15.4**	**6.5**
7.50 and above	9.7	0.0	**9.5**	3.6	0.0	**3.1**	**6.4**

Source: BBS, 2005.

The table indicates that the overall incidence of poverty among landless people was 46.6 in the year 2000 according to the Household Income and Expenditure Survey. Over a period of 5 years, poverty declined by only a meager 0.3% among landless people, For those who owns less than 0.05 acre of land the rate of decline was 1.5%. (There is no concrete explanation as to why the incidence of poverty is higher among those who have less than 0.05 acre of land than those who have nothing. However, one interpretation could be that owning 0.05 acre of land does not make a huge impact on people's lives since this is really a tiny amount of land with no prospect for agricultural activity.) In contrast, those who own land area between 0.05 to 2.49 acre the rate of poverty declined by a whooping 12 percentage points on an average. The rate of impact slows down among the large land owners but it is still very high compared to the landless or near landless people.

The data collected by the government agency testifies the fact that owning a piece of land does help a lot in terms of getting out of poverty trap. Despite the pressing evidence that the rate of poverty reduction remains almost static among landless people, who constitute nearly 56% of the total population, the PRSP policy prescriptions in relation to land use is, "[u]nused public land may be made available for private investment and for setting up private industrial estates. Government can also acquire land and then hand over these through BOI [Board of Investment] to potential investors for development and setting up of new enterprises. Allowing private investment in infrastructure development has been a step in the right direction" (Bangladesh, 2005: 63).

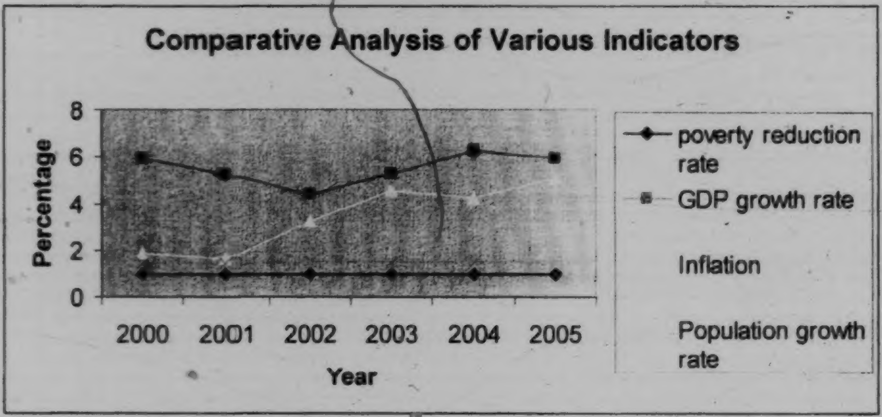
Evidently, the 'pro-poor' growth strategy encouraging privatization failed to have substantial impact on the life of more than half of the total population, yet the government remorselessly continues to advance the Bank-Fund prescription of growth oriented macro-economic policy claiming it as a 'step in the right direction'. In a country where having a piece of land means an opportunity to escape the cycle of poverty, and where landless people frequently demonstrate for allotting unused land among them, the decision to distribute the unused land among potential industrial investors could be anything but a "step in the right direction". By going against the wish of its own people, and allowing the Bank and IMF to sway over national policy, the PRSP genuinely lost the possibility of being a nationally owned document.

The Bangladesh PRSP rests on a policy triangle constituted of 'pro-poor' economic growth, human development and governance. Based on this policy triangle the PRSP identified four strategic blocks for fighting poverty. These are: supportive macroeconomic policies that accelerate 'pro-poor' growth, boosting critical sectors for economic growth that 'benefits' the poor people, devising safety nets and targeted programs, and ensuring human and social developments. Four strategies have been devised to support these four blocks. These are: ensuring participation; social inclusion and empowerment of different sections of the community; promoting good governance through ensuring transparency, accountability and rule of law; providing services in an efficient and effective manner; and environment friendly sustainable development (ibid, p.xxi).

Since the PRSP is a continuation of the I-PRSP, it was logical that the government provided an acute summary and description of achievements of the I-PRSP. Rhetoric aside, *the government made no sincere attempt to present any details about the specific achievements of the I-PRSP*. The WB-IMF and the government of Bangladesh claim that due to the implementation of economic reforms and growth oriented policies the poverty graph has seen a downward trend. The official statistics for poverty reduction estimated a flat rate of 1% per annum. But what remains unspoken is that the rate of poverty reduction yet remains below the population growth rate, meaning that though poverty is 'declining' at a fairly persistent rate, the *absolute number of poor people are actually increasing*. It also keeps mum about the fact that the population growth rate for lower class is higher than upper class meaning every year there is more poor people being added to the already crowded class.

Figure: 4.1

Comparative Analysis of Rates of Poverty Reduction, GDP Growth, Inflation & Population Growth



Source: Bangladesh Bureau of Statistics and the World Bank.

Loss of Employment

Employment is one of the crucial factors for people to maintain a decent life in a capitalist economy. In Bangladesh, nearly a million people join the labor force every year with an employment-GDP elasticity of only 0.34 (1.0 percent growth is associated with 0.34 percent growth in employment) (Bangladesh, 2005: 47). The PRSP accordingly recognizes the importance of generating employment for reducing poverty. The government claims that the macro-economic policies or what is calls 'pro-poor growth' enshrined in the PRSP will ensure enough employment avenues for lower strata of the population.

Traditionally, except agriculture, public sector used to be the largest employer in Bangladesh. With the adoption of liberal economic policies under the aegis of the Bank-IMF, the government announced that the private sector be the engine of the Bangladesh economy stating, "In the prevailing development paradigm private sector is the driving force behind growth and hence the role of government is to provide an environment which promotes private investment" (ibid: 61). Contrary to the belief that privatization would boost employment, a recently published draft report of Labor Force Survey 2005 by the Bangladesh Bureau of Statistics revealed that during the implementation years of the I-PRSP, the employment growth declined in real terms.

Quoting the draft Labor Force Survey (LFS) report 2005-06, a news report by Inam Ahmed (2008), revealed that employment growth rate had shrunk by half while underemployment increased by about 50 percent in the three years since the adoption of the I-PRSP. It also revealed that during that period paid employment had grown little in the country.

The survey findings according to the news report include some puzzling indications like a decline in female employment in manufacturing sector (-8.7 percent) and a negative male employment growth in construction sector (-0.1 percent). Besides, economic dependency ratio stood higher in urban areas than rural areas. The draft Labor

Force Survey estimated that the annual employment growth rate was 2.2 percent during 2003 to 2006, compared to 4.4 percent in 2000-2003. In contrast, the underemployment rate has increased from 16.6 percent in 2000 to 24.5 percent in 2006.

These data should not be at all surprising since the macroeconomic policies adopted by the government persistently eroded the employment opportunity for poor people. As I already mentioned, public sector used to be the largest employer for the poor people, the government-initiated lay off or selling off large-scale labor intensive publicly owned industries resulted in a huge loss of employment for them. The closing down of the *Adamjee Jute Mill* is an example where approximately 25,000 workers lost their job overnight and another hundreds of thousands of people lost their source of income as they directly or indirectly depended on the largest jute mill in Asia for living. Notwithstanding, the Bank appreciated the 'brave move' of the Bangladesh government and highlighted this as a success story! The Bretton Woods Institutions insist that the losses, incurred by the state-owned enterprises, cause major drain on the government exchequer which in turn erode public savings. Hence, the policy suggestion in the PRSP is, "The losses of the SOEs [state-owned enterprises] are a major drain on the government budget. Elimination of these losses will have a salutary effect on public savings… the government is committed to reform the state-owned enterprises." (Bangladesh, 2005: 62, 75).

Rising Inequality

Not only employment nose dived during this period but the schism between the rich and poor also widened substantially. Even the government itself recognized that inequality was on the rise by painfully agreeing, "First, there appears to be a high degree of social inequality, which cuts across all the key social targets. Second, the rich-poor divide (however measured) is striking, but more worrying is the gap between the poorest and the rest of the society" (ibid: 8).

The statistics presented by the government also indicate that some differences between the poorest and the richest are in the range of 68 to 93 percent in the case of Infant Mortality Rate and Child Mortality Rate; 46 percent and 196 percent in the case of primary enrolment and secondary enrolment respectively; 64 to 104 percent in the case of child malnutrition; 72 to 89 percent in the case of maternal malnutrition (measured by the 'height' yardstick), 32 to 50 percent in the case of maternal malnutrition (measured by 'body-mass index') and 71 percent in terms of total fertility rate (ibid:8).

In the PRSP, the government admitted, "[t]he impact of economic growth on the pace and magnitude of poverty reduction depends to a large extent on the nature of inequality of income arising from the very growth process" (ibid: 19). Despite this pressing evidence of increasing inequality, the government instead of initiating corrective measures preferred to persist with the Bank instructed reforms agenda, which would arguably increase the inequality between haves and have-nots. The government justifies the adoption of reforms by claiming that Bangladesh had moved from a situation of lower growth with equity having a smaller impact on poverty reduction in the eighties to a situation of higher growth with inequality having larger impact on poverty reduction in the nineties (ibid: xiv). Truly, Bangladesh achieved higher growth during the 90s but the claim that the growth had a lasting impact on poverty situation is highly contested.

The Bangladesh government seems to rely too much on the argument put forward by Dollar and Kraay (2002) that economic growth benefits poor people. The authors in an influential article argued that in a one-for-one growth situation both the rich and poor people experience their income rising by equal proportions. Peter Edward (2006) pointed out that even in one-for-one growth situation the incomes of the rich rise more than the poor in absolute terms even though the relative gap stays the same. Based on an extensive analysis on the World Bank aggregate level data Edward concluded that the trickledown theory of growth doesn't hold much ground. His study revealed that the richest 20% of the world population best utilize the benefits of growth, which could hardly be described as equitable growth. He also refuted Dollar and Kraay's argument of one-to-one benefit of growth, and suggested that at best the world data show a one-to-two growth scenario meaning that "for every 2% of global growth the poor saw their consumption rise by less than 1%, and the poorer you were the less you benefitted even in relative terms" (2006). Inequality thus undermines the very assumption of pro-poor growth theory, which suggests growth with equity. In a highly skewed scenario economic growth fails to bring luck for poor people and only serves the interests of richest tier of the society.

The decision to promote growth-oriented economic policies by the Bangladesh government thus shows little care for the poor people. It not only reveals who the government prefers to side with but also clarifies the position government takes in terms of defining poverty. In contrast to the definition of poverty in the PRSP as a 'broad front' encompassing issues ranging from income to human security, the policy matrix outlined here suggest that, in effect, the working definition of poverty adopted in the PRSP is a narrow one, which is solely based on an income threshold. There is a huge mismatch between the rhetoric and the policy suggestions. Poverty is not simply about having an income below a predefined line but a relative experience of people, a subjective experience of a community in terms of their standard of living relative to their wealthier neighbors. With rising inequality, the claim of poverty reduction becomes paradoxical since it is all about the very gap between the two communities, the difference of lifestyles and experiences.

Table: 4.2

Percentage Distribution of Income Accruing to Households in Groups (Deciles) and Gini Co-efficient

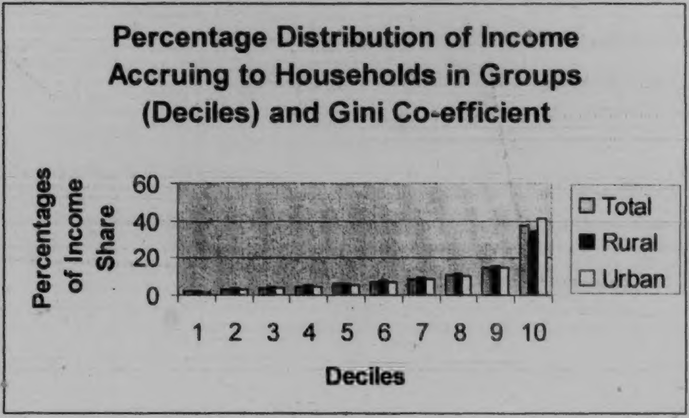
Household Income Group	2005 (in percent)	2000 (in percent)
Decile-1	2.0 %	2.41 %
Decile-2	3.26 %	3.76 %
Decile-3	4.1 %	4.57 %
Decile-4	5.0 %	5.22 %
Decile-5	5.96 %	6.1 %
Decile-6	7.17 %	7.09 %
Decile-7	8.73 %	8.45 %
Decile-8	11.06 %	10.39 %
Decile-9	15.07 %	14.00 %
Decile-10	37.64 %	38.01 %
Income Gini Coefficient	0.467	0.451

Source: Bangladesh Bureau of Statistics, 2006.

Table 4.2 shows that in 2000, the income accruing to the first decile was 2.41% which declined to 2.0% in 2005 indicating that the bottom decile is now earning less then what it used to earn in 2000. On the other hand, a comparison across the deciles in the year 2005 reveals that the bottom decile is earning 35.64% less or approximately 18 times lower than the top decile. The Gini coefficient also shows that overall rate of inequality among the people rose by 1.6% in 2005 compared to the year 2000. It may be mentioned here that a Gini index of '1' means perfect inequality while '0' means no inequality at all.

Figure: 4.2

Percentage Distribution of Income Accruing to Households in Groups (Deciles) and Gini Co-efficient



Source: Bangladesh Bureau of Statistics, 2006.

Rising Inflation

Another important indicator that is closely related to the well being of poor people is inflation. In an economy where inflation is high especially when prices of food items climb up and the wages remain stagnant, people find themselves in a fix. As the PRSP states, "high inflation *can* [emphasis added] exacerbate poverty and adversely affect the vulnerable groups in a number of ways: First, high inflation can erode real wages, particularly for those with a low fixed income, since frequently nominal wages do not keep pace with inflation" (Bangladesh, 2005: 66). The data collected by the Bangladesh Bureau of Statistics on consumer price index and point-to-point inflation from 2003-4 fiscal year up to December 2007 confirms that the policies adopted in the I-PRSP and the PRSP were largely flawed as these failed to check inflation.

Table: 4.3

Consumer Price Index and Point-to-Point Inflation Rate Per Annum

(Base Year 1995-96 = 100)

CPI Classification	2003-4	2004-5	2005-6	2006-7	2007-8		
					Oct '07	Nov'07	Dec'07
Overall Inflation	5.83	6.48	7.17	7.22	10.06	11.21	11.59
Food Inflation	6.93	7.91	7.76	8.12	11.73	13.83	14.46
Non-Food Inflation	4.37	4.33	6.40	5.90	7.42	7.26	7.27

Source: Bangladesh Bureau of Statistics, 2007, December.

The decision to withdraw bulk of the subsidy from agriculture and incremental increase of fuel prices immediately shot the food prices up. The IMF was especially relentless in advising the government to increase the price of fuels arguing that the loss incurred by the Bangladesh Petroleum Corporation due to the lower domestic price of fuel compared to higher import price was unacceptable. For example, the IMF Executive Board in 2005 concluded that the Bangladesh Government needed to further adjust the prices of fuel in line with international prices (IMF, 2005). In the face of dillydallying of the Government, IMF deferred the payment of around $80 million sixth-tranche of Poverty Reduction Growth Facility loan, which was scheduled for July 2006 to press home the demand for adjusting the prices of fuel.

The fact that the farmers used to get fuel at a subsidized price - which is essential for irrigation purposes - kept the prices of agricultural products within the reach of the poor people. The incremental increase of fuel prices caused rippling affects as electricity, transportation, and fertilizer also became costly. As a result, inflation of food items gradually touched double digit marks signaling an ominous development for the poor people who are now being forced to spend the majority of their income for purchasing food items, leaving less money for other necessities.

These evidences corroborate that the lives of poor people became even tougher since the implementation of the PRSP. It remains a mystery as to what the actual meaning of pro-poor growth is. On the one hand, pro-poor growth promises more jobs, higher income, less inflation, incremental decline of poverty, on the other hand what we see after five years of implementation of the 'pro-poor' growth policies are staggering loss of employment and high incidence of underemployment, widening inequality, sky-rocketing inflation, and stagnant poverty reduction rate. The government always comes up with 'convincing' explanations as to why the policies failed to result in expected outcomes and concludes that the way forward is to further accelerate the pace of reform. The Bank, on the other hand, keeps prioritizing the macro-economic indicators over the life of real human beings. The government keeps enjoying continued support and appreciation as long as the reforms agenda are followed, and the country maintains a decent GDP growth rate and balance of payments situation. Ultimately, it is the poor people who bear the brunt of these misguided policies.

Conclusion:

Dr. Muhammad Yunus, the microcredit guru and 2006 winner of Nobel Prize in Peace, expressed his thoughts about the Bangladesh PRSP:

> I am disappointed, more so, hurt, by the way the strategy document has been prepared. I am hurt because we may miss great national opportunity to organise ourselves for the most important task ahead of the nation. But on the positive side, I am glad that we have a document around which we can hang our thoughts leading to the preparation of the real strategy document. Reading the document I felt that *it is not a strategy document, it is an academic document* [emphasis added]. It could be better titled as: "All You Wanted to Know About Poverty". An executive in charge of national poverty reduction will have very

> little use of this document in taking decisions. Every ministry of the government can continue to do whatever they have been doing before this document was prepared, still no one can point accusing fingers at them by saying that they are out of step with the Poverty Reduction Strategy. A strategy document must be very clear regarding dos and don'ts, musts and mustn'ts --- so that anybody can see who is out of step, if anybody gets out of step[xv].

The PRSP documents that the poor people voiced concern about their helpless situations and demanded that the government take necessary initiatives so that they could escape the vicious cycle of poverty. They identified the existing social system to be unjust to them, and urged the government to open up economic opportunities in their favor. For them ownership of the PRSP meant getting a productive job and a life with dignity (Bangladesh, 2005:7). As anticipated, the suggestions to open up the local market for foreign entrepreneurs and closing down the public enterprises did not feature in their recommendations. They were the least interested in the neo-liberal recourse to economic growth and macro-economic stability. Their approach towards ownership of policy is more down to earth. Whereas the participants identified the existing social system to be unjust to them and expected the government to alter it in their favor, the PRSP in contrast suggested intensification of the existing system and enhancing the pace of economic reforms mainly due to the pressure of the Bank and the IMF. Instead of putting the brake on increasing inequality and widening the gulf between the poorest and richest segment of the society, the PRSP boost the idea of economic growth disregarding inequality.

Moreover, the general tone of the discussants was to intensify the role of the government in employment generation programs and increasing housing facilities for poor families, whereas the PRSP ended up suggesting boosting private investment for these purposes. One could argue that the problem is with implementation rather than the PRSP itself. This could be true if we had clear roadmaps built into the PRSP laying out how it plans to achieve the lofty goal of poverty reduction. But like I said, the PRSP is too vague a policy document lacking any focus and clear roadmaps.

Chapter Five
Conclusion

The principal guiding question in this thesis was to investigate whether the ideological framework of the PRSPs suggests any substantial departure from SAPs that can be considered as a paradigmatic shift in the functioning of the Bretton Woods Institutions, especially the World Bank and the IMF. I found that the transition to the PRS initiative indicates more of a strategic shift than an ideological break from the past. I argued that the alleged death of the Washington Consensus (the underlying ideological framework of SAPs), and the emergence of a new consensus (Post-Washington Consensus), famously announced by James Wolfensohn and others, holds little ground. A review of the Washington and the so-called Post-Washington consensuses reveals that there is little difference between the two in terms of macro-economic prescriptions. That being said, the so-called new consensus attempts to incorporate more areas of national life under its purview ranging from governance issues to participation of various quarters. In this context, my question was that what purposes this new so-called consensus serve? That is, if the macro-economic content of the Post-Washington Consensus that underpins the PRSPs differ little with its predecessor, what was the compelling need to introduce this new system?

In the beginning the PRS initiative generated enthusiasm among the poverty activists hoping that the Bretton Woods Institutions would, from now on, abandon their practice of overlooking ground realities and imposing policies from above. Development thinkers expected that this change would establish the supremacy of home-grown policies rooted in the history and social structures of the developing nations in dealing with poverty. It was a laudable effort by the World Bank and the IMF to have recognized that poverty was the single most important problem plaguing the world. The disastrous consequences of SAPs in the implementing countries, as well as the consequent fallouts that the World Bank and the IMF suffered were enough to convince people that the capitalist duo had learnt the futility of one-size-fits-all policies. The appointment of James D. Wolfensohn as the President of the World Bank, and his restless and impressive efforts to bring the World Bank critics on board and initiating dialogue to dig out the impacts of SAPs was a promising start. But that is all. What subsequently followed is yet another saga of recklessness, deception and despair.

I elaborately discussed in chapter two the context in which the idea of PRSPs came into being as a result of internal and external factors undermining the legitimacy of the World Bank and the IMF. The Wapenhans Report, the Meltzer Commission Report, the East Asian crisis, the SPARIN report, the high profile assault on the IMF and later on the World Bank by Joseph Stiglitz, and numerous demonstrations and movements by civil society and grassroots organizations put the Bretton Woods Institutions into a difficult terrain. The Seattle protests in 1999 epitomized the intensity of the battles people from the South and the North fought against the two sister organizations. The World Bank and the IMF, in a critical juncture of their histories, openly declared the death of the Washington Consensus, and the introduction of the PRS initiative. The PRSPs were promised to be the expression of a new consensus putting the countries in the driver's seat in terms of writing national policies for poverty reduction. But, nearly a decade of PRSP regimes suggests a somewhat different story.

The introduction of the PRSPs in 1999 was greeted by many assuming that this would be the end of the era of conditionality. When it was announced that the formulation of a PRSP would be mandatory for the Highly Indebted Poor Countries in seeking concessional assistance or loan from the World Bank or the IMF, the PRSP itself became conditionality. It is noteworthy to mention here that the idea of the PRSPs did not come from any of the developing countries, and was devised and imposed by the World Bank for its own sake.

Once the countries started preparing their respective PRSPs, it became increasingly evident that the difference between the PRSP initiative and its predecessor SAPs in terms of policy contents or prescriptive solutions were negligible. The overall framework of the two programs is guided by the obvious neo-liberal logic of economic growth benefiting poor people, or a belief in trickle down theory. The macro-economic contents of most of the PRSPs hitherto formulated in 70 odd developing countries show an unsurprising similarity (Bello, 2007) owing to the provision of Joint Staff Assessment of the national PRSPs. The mechanism is simple: until a country's PRSP integrates neo-liberal prescriptions, it would not be endorsed by the Joint Staff Assessment.

The Joint Staff Assessment also contradicts the spirit of ownership: one of the declared features of PRSPs. As Gore (2004) pointed out:

> ... no matter how much country-level officials from the World Bank and IMF stand back to enable national ownership, national officials find it difficult to take the risk of putting forward a poverty reduction strategy that is unorthodox in terms of prevailing notions of sound policy reform. ... Even if there is no outside interference in the PRSP preparation process ... the mere awareness of dependence on the Joint Staff Assessment and on endorsement by the Boards of the IMF and World Bank constrains freedom of action (p. 282).

The two main characteristics that are said to differentiate PRSP initiative from SAPs are its "participatory" nature and "national ownership". We have already discussed how the promise of national ownership is violated by compelling the countries to submit their PRSPs to the World Bank and the IMF Board of Directors for approval. The provision of participation by civil societies and "stake-holders" serves some other hidden agenda of the Bretton Woods Institutions.

Cooke & Kothari (2001) explained how participation, once a radical concept in the development lexicon, has been reduced to a "tyrannical" process by the adherents of neo-liberalism where participatory decisions far from eliciting local wisdom reinforce the interests of the powerful. David Mosse (2001) along the same line refuted the populist assumption that attention to "local knowledge", a promise of participatory process, redefines the relationship between the local communities and donor organizations. Mosse revealed how the emphasis on local knowledge far from determining the decision making processes itself becomes structured by the very process and the actors.

The World Bank admits that one of the purposes of the participatory process embedded in the PRSPs is to involve "civil society" with the policy-making process. For many people this might seem like an innocent or rather a positive proposition. If we dig into the politics of this act of empowerment, we would realize that this has a far deeper connotation. This is the reflection of a compromise between these two parties having a long history of struggle against each other. The provision to involve civil society benefits both the parties: the World Bank gains in the form of endorsement of its policies by the rebellious civil society, and the civil society achieves much-sought-after recognition of its legitimacy as valid actors in the realm of policy-making. We must note that the World Bank did not concede before it ensured that it has been able to manufacture a toned down radically different version of civil society sympathetic to its cause. Often the consequences of the association between the World Bank and the civil society result in weakening of the representative democratic system though the PRSPs are said to encourage democratic processes.

A common trend seen in the formulation of the PRSPs in some of the countries was that the national parliaments and the democratically elected representatives were sidelined. For example, we have seen in the case of Bangladesh (Bangladesh, 2005) and Ghana (Whitfield, 2005) where the Members of Parliament criticized the bureaucracy for preparing the PRSPs without consulting them, and for denying their constitutional rights to formulate policies for the welfare of the nation. Though the democratically elected legislators are supposed to carry out the task of policy-making, the PRSPs in these two countries were formulated by private consultants hired by the government agencies. Thus the dangerous precedent of sidestepping the parliament may weaken the democratic institution by denying its sovereign rights over domestic policy making. It is worth noting here that for the past two years Bangladesh has been run by hand-picked members of civil society led by an ex-World Bank staff after the dissolution of the National Parliament in 2006. The consultant who was hired by the previous government to write the PRSP is now an influential advisor of the present caretaker government[xvi]. The gradual rise of a fundamentally different civil society under the patronization of donors, and the precarious state of representative democratic system in Bangladesh may not be ruled out as a total coincidence.

As we have noted, the PRSPs continue to champion the disgraced neo-liberal economic policies for poverty eradication. Even after the failure of SAPs, the Bretton Woods Institutions emphasize on macro-economic adjustments of developing economies with a strong focus on boosting economic growth that often contradict the ground realities prevailing in these countries. Unlike the already developed countries, the developing nations need more protection when they interact with giant economies. The rash decision to open up the developing economies in the name of globalization has virtually eroded the capacity of these countries to manoeuvre any protective measures of their own that could shield their people from turbulences in the global market. The result is that whenever there is any mishap in the global market, it takes no time at all to wreak havoc on the poor countries. Moreover, the common trend of high rate of unemployment in these countries requires a strong focus on employment generating policies targeted towards poor people. Nevertheless, this simple equation is lost in the PRSPs, which continue to rely on market forces no matter what the situation demands.

The PRSPs view poverty as a domestic problem arising out of economic backwardness of a particular country. The broader issue of international disparity of power and the inherent characteristics of capitalism that reproduce economic inequality remain unaddressed in the PRSPs. As a result the responsibility of tackling poverty was passed on to the national governments. The World Bank and the IMF argued that the newly introduced social safety net measures embedded in the PRSPs were enough for the poor countries to deal with the high costs of macro-economic adjustments. The logic was that in the event of any unexpected loss of employment or economic turbulence, the various safety net measures embedded in the PRSPs would mitigate the impacts on poor people. The World Bank ignored the fact that decades of conscious efforts to weaken the developmental states through adjustment programs, and continuous practice of turning things over to private sector had already seriously constrained the capacity of the governments to undertake such an enormous task like poverty reduction.

Recently, in the wake of spiraling inflation and a geometric rise of food prices across the globe, most of the governments painfully realized that they had virtually nothing to do to curb the situation, or to save their people from the wrath of the market other than lamenting the loss of control over the domestic price fixing mechanism. The 'invisible hand' of market remained invisible and there were no corrective measures from any corners. Needless to say the social safety net measures embedded in the PRSPs failed to provide substantial support to mitigate the sufferings of billions of people in Africa and Asia.

In a recent press release Robert Zoellick, the President of the World Bank Group pointed out, "[p]oor people are suffering daily from the impact of high food prices, especially in urban areas and in low income countries. In some countries hard-won gains in overcoming poverty may now by reversed" (World Bank, 2008, April 9). Though the high fuel prices are popularly blamed for the current situation in the developing countries, the World Bank and the IMF cannot but evade responsibility for mishandling the situation by prescribing flawed policies.

In terms of achievement, the PRSPs show a grim picture. The Bangladesh case study revealed that since the inception of the PRSP in the country most of the macro-economic indicators have plummeted. The target of achieving GDP growth in excess of 7 percent remained illusive throughout the period. Though the country managed an average GDP growth of 5 percent, this hardly had any significant impact on the poverty situation of the country. Furthermore, the rising inequality coupled with high inflation made life miserable for poor people. The decision to lay off most of the state owned enterprises for privatization purposes to fulfill the demands of the World Bank and the IMF made thousands of low skill workers jobless. Overall, the promise of better life eluded for majority of the people during the five years of PRSP regime. Though a new-classical economist would argue that the timeframe allowed for SAPs or the PRSPs were barely sufficient for them to make any impact, they remain vague about what would be an appropriate timeline for the policies to make positive impact. The vagueness with which they operate reveal their incapacity to reduce poverty.

Poverty reduction is a massive task, and for that matter no one can guarantee success of a policy in tackling this centuries old problem. Any policy that promises to eradicate poverty is met with pessimism due to the long history of deception and despair. The PRSP initiative was embraced by many as a "step in the right direction". However, the PRSPs failed to live up to people's expectation. There would not have been any accusation for this failure had there been an honest intention behind the initiative. If the World Bank and the IMF really showed the openness to learn from their past mistakes and avoided replicating the same policies, the failure of the PRSPs in reducing poverty would not have attracted this kind of criticism. But, evidence presented in this thesis show that the reported departure from the policies of Washington Consensus was nothing more than a strategic ploy to mend the public relations disaster the organizations faced as the negative fallouts of SAPs became evident. Therefore, to suggest that the principal reason behind the PRSP initiative was a desperate attempt by the World Bank and the IMF to regain their legitimacy should be a correct proposition. Civil society in this respect became the new saviour of the World Bank in this bid. However, in this process the definition of civil society itself was manipulated by the World Bank and the IMF to create a new version that would cater to the needs of the capitalist organizations. How this process was done remains the topic of my next research.

End Notes

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[i] The fundamental difference between the World Bank and the IMF is that the Bank is primarily a development institution; and the IMF is a cooperative institution that seeks to maintain an orderly system of payments and receipts between nations. Unlike the World Bank, the IMF is relatively a smaller (about 2,300 staff members) institution and has no affiliates or subsidiaries. Its professional staff members are for the most part economists and financial experts. The World Bank is comprised of two major organizations: the International Bank for Reconstruction and Development and the International Development Association (IDA). The World Bank is an investment bank, intermediating between investors and recipients, borrowing from the one and lending to the other. While the Bank borrows and lends, the IMF is more like a credit union whose members have access to a common pool of resources to assist them in times of need. The World Bank exists to encourage poor countries to "develop" by providing them with technical assistance and funding for projects and policies. Although the Bank and IMF are distinct entities, they work together in close cooperation. The bedrock of cooperation between the Bank and IMF is the regular and frequent interaction of economists and loan officers who work on the same country. The Bank staff brings to this interchange a longer-term view of the slow process of development and a profound knowledge of the structural requirements and economic potential of a country. The IMF staff contributes its own perspective on the day-to-day capability of a country to sustain its flow of payments to creditors and to attract from them investment finance, as well as on how the country is integrated within the world economy. This interchange of information is backed up by a coordination of financial assistance to members. Cooperation between the Bank and the IMF has over the past decade been formalized with the establishment in the IMF of procedures to provide financing at below market rates to its poorest member countries. These procedures enable the IMF to make available up to $12 billion to those 70 or so poor member countries that adjust the structure of their economies to improve their balance of payment position and to foster growth. The Bank joins with the IMF in providing additional money for these countries from IDA. This is an excerpt from David Driscoll's article *The IMF and the World Bank How do They Differ*. For a detailed discussion on the difference between the World Bank and IMF please follow the link - http://www.imf.org/external/pubs/ft/exrp/differ/differ.pdf.

[ii] The HIPC Initiative was first launched in 1996 by the IMF and World Bank, with the aim of ensuring that no poor country faces a debt burden it cannot manage. The Initiative entails coordinated action by the international financial community, including multilateral organizations and governments, to reduce to sustainable levels the external debt burdens of the most heavily indebted poor countries. Forty-one countries have been found to be eligible or potentially eligible for HIPC Initiative assistance.(http://www.imf.org/external/np/exr/facts/hipc.htm).

[iii] Structural Adjustment Programs (SAPs) were initiated in the 1980s by the International Financial Institutions to help the deeply indebted countries to pay back their dollar-denominated loan. The purposes of SAPs were to reduce inflation and decrease budget deficit while enabling the indebted countries to meet debt repayment schedule. Brawley and Baerg (2007: 603) identified five components of SAPs. These are: liberalization of tarrif regime, liberalization of domestic goods market, liberalization of domestic factor markets, imposing higher domestic taxes to improve the debtor state's fiscal position, and austerity in government spending. The first three policy recommendations were aimed at boosting the aibility of a country to export domestically produced goods and services thereby limiting import. The last two policy recommendations were targeted at improving the ability of a country to service its international debts. SAPs were promoted by the World Bank and the IMF by making the implementation of adjustment mandatory for developing countries in seeking loan support. SAPs often entailed reductions in government spending on employment, currency devaluation, sale of government enterprises, and higher interest rates.

[iv] Together the World Bank and the IMF are popularly called as The Bretton Woods Institutions.

[v] Please see chapter three for a detailed discussion on the Washington Consensus.

vi The I-PRSPs outline a country's transitional poverty reduction strategy, and provide a road-map for the development of the full PRSP (a timeline for poverty diagnostics, recognition of policy areas that need evaluation and reform, envisaged participatory process, etc) (Klugman, 2002: 4). The Bank stipulates that a

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full PRSP should be completed within about 12 months of an I-PRSP, though more time can be taken if needed.

vii The HIPC initiative was enhanced in 1999, which is known as Enhanced Highly Indebted Poor Countries Initiative. In the enhanced version the debt-burden thresholds were adjusted downward, which enabled a broader group of countries to qualify for larger volumes of debt relief (http://go.worldbank.org/85B908KVE0).

[viii] The ESAF was introduced in 1987. It is an arrangement through which the IMF provides medium-term (5 to 10 years) concessional loans for balance of payments adjustment to the poorer countries. 65 countries are eligible for assistance under the ESAF (http://www.businessdictionary.com/definition/enhanced-structural-adjustment-facility-ESAF.html).

[ix] Joint Staff Assessments evaluate the effectiveness of the PRSPs and the I-PRSPs. It assists the Board of Directors of the World Bank and the IMF in evaluating whether an I-PRSP or PRSP provides a sound basis on which to proceed with assistance and debt relief.

x In chapters two and three I have made extensive comments and discussions about Stiglitz's view, so I choose not to discuss it here.

[xi] There was another agenda behind the new found emphasis of the World Bank on developing countries that is to defeat the appeals of communism and socialism, which gained considerable popularity at the end of World War II including in some parts of Western Europe.

[xii] Though this book is a recent work of Stiglitz and thus can not be said to have any impact on the process of launching the idea of PRSP by the World Bank, however, this book documents many of the confrontations Stiglitz had with the IMF during his stint as the chief economist at the World Bank. The arguments presented in this book are actually a polished version of the raw attack he launched against the IMF during the ensuing crisis in East Asian countries.

[xiii] Joint Staff Assessments evaluate the effectiveness of PRSPs and I-PRSPs. It assists the Board of Directors of the World Bank and the IMF in evaluating whether an I-PRSP or PRSP provides a sound basis on which to proceed with assistance and debt relief.

[xiv] The General Economics Division of the Planning Commission of the Government of Bangladesh was identified as the National Poverty Focal Point for the purpose of monitoring the task of implementation of I-PRSP, preparing a full-fledged PRSP and providing secretarial support to the National Steering Committee and National Poverty Reduction Council.

[xv] The Speech by Dr. Muhammad Yunus was published on several websites including the Sustainable Development Networking Program of UNDP. The exact date of the speech remains unavailable. The present quote was retrieved on January 12, 2008 at http://www.sdnbd.org/sdi/issues/IT-computer/prsp-yunus.htm

[xvi] The caretaker system was introduced in the Bangladesh constitution in 1996. The original provision was meant for only 3-months to look after the transition to national elections. However, in 2006 there was allegation against the then caretaker government led by the President of manipulating the election in favor of the immediate past ruling party. The army, backed by some donor agencies and Western countries including Canada, the US and the UK, forced the President to resign from the post of the head of the caretaker government. A new caretaker government was formed headed by an ex-World Bank staff. The caretaker government is run by 10 non-political advisors and a chief advisor equal to the rank of ministers and prime minister respectively. The present caretaker government postponed the national election sine die originally slated for January 22, 2007, and arrested most of the political leaders including the two top leaders of the main ruling and opposition parties.

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